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Monday April 8 1991

World News Business Summary

UK-China rift casts shadow over Hong Kong airport

The future of Hong Kong's new airport hangs in the balance after China, during weekend talks with Britain in Peking, stepped up demands for a degree of control over the project and over the territory's financial policies. Page 2 editorial comment, Page 14

Cuba crash kills 56

A crowded Cuban passenger train travelling from Havana to the eastern city of Guantanamo derailed in darkness, killing 56 people and injuring more than 200.

Yeltsin in church

Senior Soviet officials, headed by Russian leader Boris Yeltsin, joined worshippers at Easter services in Moscow's vast Epiphany Cathedral. Power struggle, Page 3

Crew rescued

British helicopters lifted 28 crew from the blazing cargo ship Crystal Star in the English Channel after fire broke out in its engine room.

More room at Mecca

Saudi Arabia said work was under way at Islam's holiest shrine in Mecca to ease congestion during June's Hajj (Muslim pilgrimage). More than 1,400 pilgrims suffocated last year inside an overcrowded tunnel.

Row as doctor freed

The release in Malaga of a doctor convicted of carrying out an illegal abortion has caused a political row in predominantly Catholic Spain. He had served only five days of a four-year sentence.

Sudan's future

Sudan's military government, fighting a civil war, has called a national conference to decide the political future of Africa's biggest country.

Palestinians appeal

Four Palestinians from Gaza appealed to the Israeli Supreme Court in a last effort to overturn army expulsion orders. PLO sentence, Page 2

Albania votes

Albania's communists are set to gain control of the country's first multi-party parliament after a second round of balloting. Page 3

Bus falls off bridge

At least 83 people were killed when a bus carrying 51 passengers plunged off a five-mile bridge into Lake Maracaibo, South America's largest lake, west of Caracas in Venezuela.

Charter for parents

Japan, suffering from too few workers and too few babies, is proposing legislation for up to a year's leave from work for both male and female parents after the birth of a child.

Power of advertising

Sweden, the last country in Western Europe to hold out against advertising on television, is paving the way for commercials on a new third channel.

Peru quake deaths

A chain of earthquakes in northern Peru killed at least 50 people, injured 600 and left thousands homeless. Page 5

Eyes in the skies

With the help of a robot arm, astronaut Linda Godwin prepared to release into orbit a 17-tonne observatory from the US space shuttle Atlantis. It will create a new "set of eyes" on the universe.

World Watch: A new FT service

A weekly selection of world economic indicators is to feature in the FT every Monday, beginning today. It will appear on the foreign pages and provide in-depth statistical coverage of the six largest market economies.

BP and Statoil accord close on industrial gas venture

British Petroleum is close to agreeing a joint venture with Statoil, Norway's state-owned energy company, which will launch a major assault on the UK industrial gas market.

Completion of the deal is likely to be followed by pressure from BP on the UK government to allow further large imports of Norwegian gas into the country from the mid-1990s, posing a serious challenge to British Gas, which has retained an almost complete grip on the UK's industrial gas market. Page 16

European Monetary System

The Bundesbank's decision to leave German interest rates unchanged further weakened the D-Mark and raised the possibility of a co-ordinated loosening of monetary policy among those European Monetary System currencies with high interest rates. Spain, with the highest rates and strongest currency, may lead the way but a cut in rates by EMS members with weak currencies cannot take place until the peseta's large interest rate differential has been narrowed. Sterling firmed as the D-Mark remained weak after the Bundesbank's decision not to raise interest rates, rising to DM2.9775 from DM2.9750 and to FF10.0750 from FF10.0725. Sterling's index rose 0.1 point to 92.8. Currencies, Page 27

EMS April 5, 1991

GRID



The chart shows member currencies measured against the weakest currency in the EMS's narrow 2.5% per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate within 5 per cent fluctuation bands.

INTER-AMERICAN Development Bank is thinking of making loans directly to private sector companies in Latin America, one of several proposals aimed at fostering development of the private sector in the region. Page 16

FRENCH government's decision partially to relax its grip on the public sector by agreeing to allow some raising of private capital is a clear sign that the state can no longer afford to fund all its companies' needs. Page 16

LADLAW, Ontario-based school bus and waste services operator, is expected to retract insider trading allegations levelled last week against Mr Michael Ashcroft, chairman and chief executive of ADT, security and car auction group. Page 17

US may press UN to accept 'safe' areas for Kurds and Shias  
Allies step up search for peace

Peter Riddell in Washington, Tony Walker in Amman and David Gardner in Brussels

THE ALLIES in the Gulf war are this week stepping up efforts to seek a durable Middle East peace following Iraq's grudging acceptance at the weekend of United Nations Security Council conditions for a formal ceasefire.

At the same time, the US may return to the UN to seek ways of protecting Kurds and other Iraqi refugees from the Baghdad regime.

Mr Dick Cheney, the US Defence Secretary, said on American television yesterday that Washington might want to go back to the Security Council to consider creating "some kind of mechanism or process that would provide an area where they (the Kurds) would be safe."

Mr James Baker, the US Secretary of State, after a stop in Turkey where he will discuss humanitarian aid, visits Israel today for talks which are expected to test Israeli attitudes to a "land for peace" formula in any settlement of the Palestinian question.

Leaders of the EC's 12 member states, at a special summit in Luxembourg today, are likely to back US efforts to foster a direct Arab-Israeli peace process. EC diplomats expect "limited, pragmatic, but concrete resolutions" to emerge from the half-day meeting.

Mr Brent Scowcroft, President George Bush's national security adviser, said that the US would remove its troops from southern Iraq within "days, not weeks or months" once the "blue-helmet" observer force from the United Nations is in place.

The original 100,000 US deployment in southern Iraq had already been "thinned out" and preparations were well under way for a full withdrawal, he added. So far 200,000 of the peak 540,000 US troops in the Gulf have left the region.

Mr Scowcroft said the US would not abandon the 40,000 refugees currently in allied occupied southern Iraq when its troops are withdrawn. These people would not be forced to go back under Iraqi control. It still had to be worked out how they would be looked after, he said, though they might be moved down to the border in the demilitarised zone along the Iraq-Kuwait border where they would be cared for by international organisations.

Mr Cheney's suggestion of a UN-sponsored safety zone for the Kurds in the north followed Friday's Security Council resolution calling on Iraq to halt the oppression of the Kurds and to open its borders to allow humanitarian assistance to be provided. This did not provide for any enforcement.

Iraq at the weekend rejected that resolution saying that it amounted to unwarranted interference in its internal affairs.

Apart from Israel, Mr Baker will also go this week to Egypt, Syria and Switzerland. He will meet Mr Taher Masmari, the Jordanian foreign minister, in Geneva on Friday, in the first high-level public contact between Washington and Amman since the war when King Hussein favoured Iraq.

Today's Luxembourg EC summit is expected to pledge substantial aid for the Kurds, in addition to resources already being sent on a national basis and by the European Commission.

The meeting was requested by France originally to discuss a more specifically EC contribution to peace in the Middle East. Continued on Page 16



Kurdish men in a refugee camp at Uzunla in southern Turkey at the weekend carry the body of a fellow refugee who died while trying to cross into Turkey from Iraq.

International aid arrives for stricken Kurds

By John Murray Brown in Cukurca and Our Foreign Staff

THE FIRST air drops of food and medicine to some of the hundreds of thousands of Iraqi Kurds fleeing from President Saddam Hussein's forces began yesterday as the international relief effort along the Turkish border with Iraq moved slowly into gear.

A US spokesman at the Incirlik air base in southern Turkey said six C-130 planes - escorted by fighter aircraft - dropped 32 tons of water and food. British aircraft are

expected to join the operation today. The air drops along the border and over northern Iraq came after the government in neighbouring Iran announced the closure of its border with Iraq.

"At present hundreds of thousands of refugees are massed across the border, waiting to enter the Iranian soil," said Tehran Radio. "But unfortunately lack of food, bedding and clothing make it

impossible to accept more," the radio added.

The International Committee of the Red Cross yesterday confirmed that an estimated 400,000 Iraqi refugees are in Iran. It described their situation as "drastically deteriorating".

In Turkey aid is slowly getting to the estimated 250,000 refugees who have managed to cross the border. Four days after leaving Ankara, the Turkish capital, 12 trucks

organised by the United Nations arrived in the border town of Cukurca carrying tents, blankets and cooking ware, enough for some 1,000 refugees. The relief, the distribution of which has still to be agreed with local government officials, comes ahead of visit to the area today by Mr James Baker, the US secretary of state.

The only assistance up to now was that supplied by local Turkish Kurds who, organised

by the local mayor, were carrying bags of bread and plastic sheets to the makeshift refugee camps in the mountains.

Local representatives of four UN agencies the World Food Programme and the Turkish Red Crescent will today complete a fact finding tour of the region to assess the refugees' needs.

Meanwhile in Diyarbakir, the regional capital, riot police Continued on Page 16  
Bush 'stung', Page 2

Brazil agrees repayment terms on \$8bn in interest arrears

By Stephen Fidler, Euromarkets Correspondent, in Nagoya, Japan

BRAZIL has agreed terms with its leading commercial banks on the repayment of \$8bn in interest arrears after almost six months of negotiations. The terms call for Brazil to pay 25 per cent of the arrears interest this year, and the rest through the issue of 10-year bonds.

However, a final accord putting the agreement into place has been delayed because German banks have been insisting that Brazil reinstate part of its September 1988 debt restructuring arrangements. These cover Brazil's agreement to allow debt-equity swaps, which the country suspended a few months after the agreement.

In spite of the delay, there are strong hopes among bankers and government officials that this issue can be resolved early this week.

Mr William Rhodes of Citicorp of the US, chairman of the 22-bank advisory committee to Brazil, said yesterday: "We are indeed close to finalising an agreement in principle, with

one point still remaining which we hope to resolve tomorrow." If the German banks give their formal approval, the agreement must still be ratified by 85 per cent of Brazil's bank creditors. They will be asked to provide waivers to avoid the possibility of a formal default by Brazil.

Banks have insisted that a deal covering interest arrears was necessary before they would discuss a comprehensive restructuring of Brazil's debt.

Ms Zelia Cardoso de Mello, Brazil's economy minister, said yesterday that agreement with banks on a settlement of interest arrears was "nearly concluded". But in a speech to the Inter-American Development Bank meeting in Nagoya, Japan, she strongly criticised the decision last month which delayed approval of a \$500m IADB loan for sanitation projects in Brazil.

The decision to delay the loan by two months was taken

by industrialised country shareholders, led by the US, because of the slow progress in negotiations with the banks. Although holding a minority of voting power, they have the right to delay the loan.

The decision to postpone the loan was taken, said Mr David Mulford, undersecretary for international affairs at the US Treasury, because of a worry about Brazil's poor relations with its commercial bank creditors.

The concern was, he said, that the build-up of arrears with banks would in time put the international financial institutions at risk.

However, he indicated that agreement with the banks on interest arrears should pave the way for a rapid reconsideration of the loan, provided a number of technical issues were cleared up.

These could be resolved quickly, he said. IADB meeting, Page 5; IADB considers private sector loans, Page 16

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Handling Chile's bitter human rights legacy has been the toughest career challenge of President Patricio Aylwin. He argues that "the virtue of justice must be reconciled with the virtue of prudence." Page 32

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Architecture The work of Alexander Thomson in Glasgow

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FT SURVEYS AHEAD



Shaping managers for tomorrow: see Tuesday's survey, details right.

TUESDAY Management Education and Training: business schools face a demand for more sophisticated courses and teaching methods.

THURSDAY UK regional survey - Essex back in the limelight as overseas investment has homed into the area.

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## INTERNATIONAL NEWS

# Future of HK airport hangs in the balance

By John Elliott in Peking

THE future of Hong Kong's plans for a HK\$100bn (£7.4bn) airport hung in the balance last night after China, during weekend talks with Britain in Peking, stepped up its demands for some control over the project and the territory's financial policies.

Mr Douglas Hurd, UK Foreign Secretary, who met China's leaders last week, set a deadline on Saturday for the talks by saying they can continue only until he leaves the country for Hong Kong this evening.

Having failed to win the breakthrough he had hoped for, Mr Hurd (who worked in Peking as a diplomat before entering politics), did not linger in the capital on Saturday. Instead he climbed Taishan, China's most sacred mountain, leaving officials behind for talks. This morning, he goes to Canton before flying on to Hong Kong.

His aim has been to persuade China's leaders he has

made his last play on the issue of the airport, and that they should now honour pledges they gave him last week about not trying to control or veto government decisions in the colony before it returns to China in 1997.

Reacting to the pledges, Mr Hurd said: "I do not believe China wishes to use the airport issue as a precedent to assert control on other issues in Hong Kong. It is not trying to exert a veto power but it is concerned about the price which it believes is expensive."

When talks resumed between officials on Saturday, it became clear that China was toughening its stand and demanding a degree of political control which the UK and Hong Kong almost certainly find unacceptable.

China's backing is needed to give the project viability, because Hong Kong must raise at least 25 per cent of the airport finance internationally.

Peking is believed to want

guarantees about the level to which Hong Kong's HK\$78bn fiscal reserves would be reduced by the cost of the airport. The UK and Hong Kong are believed only to be prepared to reach an understanding, because guarantees could give China leverage over the colony's taxation and other fiscal policies.

China is believed to be seeking other means of exerting control, including more powerful positions on the airport authority's board than Hong Kong wants to accept.

Mr Hurd warned China last week that if the price of political control were too great, the project would be shelved. Given the short time before Hong Kong returns to China in 1997, that would in effect mean cancellation. This would hit international investment confidence in Hong Kong, since it would show China was able to undermine the capitalist spirit on which Hong Kong thrives.

Editorial Comment, Page 14

# Bush 'stung' by criticism over Iraq

By Peter Riddell, US Editor, in Washington

THE hastily arranged decisions to send Mr James Baker, US secretary of state, to the Turkish-Iraqi border, and to drop humanitarian aid by air to Kurdish refugees in northern Iraq, are the result of the Bush administration being caught off balance.

It was only last Thursday that senior US policy-makers appreciated the scale both of the refugee problem and of the international demands, especially from Europe, for a large-scale response.

The sureness of touch which Mr Bush showed up to the end of the Gulf war has deserted him in the past five weeks. He has appeared insensitive to the vast suffering in Iraq and among the refugees fleeing that country.

In the US, this has produced a wave of press criticism, and the issue will be taken up when Congress returns from recess tomorrow.

The charge is that - having launched the fighting, and explicitly urged the Iraqi military and people to oust President Saddam Hussein - Mr Bush has stood back from the bloody consequences. He has been accused of squandering the moral and political gains of the allies' military victory. He is seen as retreating in his usual caution, under the influence of the rulers of Saudi Arabia and Turkey.

Mr Bush's much-proclaimed new world order has been depicted as focusing on the territorial integrity of countries, whether Kuwait or Iraq, rather than on the rights of peoples.



Bush gets caught out by photographers as he changes his shirt after jogging in a Houston park at the weekend

Mr Bush was reported at the weekend by one senior official to be "stung and defensive" over the criticism. Mr Dick Cheney, defence secretary, and Mr Brent Scowcroft, the president's national security adviser, yesterday argued that US actions have been in line with the UN mandate to liberate Kuwait, and that it was never a goal of the allies to shift Mr Saddam from power.

This partly reflects apprehension at being dragged into what they described as a quagmire and a horrible morass, in the civil war and tried to instal a new government in Baghdad.

Mr Scowcroft admitted that, "as long as the internal turbulence continues, there is less chance that Saddam Hussein would be replaced by those with the power to do it, because neither the army, nor the power elements in the country want to see Iraq split up. They're probably all joining together to deal with the insurgents."

Most of the US public backs a non-interventionist stand, sharing Mr Bush's desire to celebrate the victory and to risk no more American lives. US forces, in Mr Bush's words, having done "the heavy lifting", there is resentment at being urged by Europeans to do more.

At issue is whether the US could have done more to help the insurgents. Calls to shoot down helicopter gunships are seen as beside the point. Mr Cheney said yesterday it is also a question of artillery and tanks, so attacks on helicopters would not have affected the eventual outcome.

The question is more whether Mr Bush should have put tougher political pressure on Baghdad and moved much earlier to aid the refugees.

The administration's calculation is that, having quelled internal dissent, the Iraqi military will realise that normal relations with the outside world - and foreign investment and aid for reconstruction - are impossible as long as President Saddam is in power. So they will oust him. But this is much more easily wished for than achieved.

# PLO orders death of bodyguard assassin

By Tony Walker in Amman

THE Palestinian who killed two senior Palestine Liberation Organisation officials and one of their bodyguards in Tunis on January 16 has been sentenced to death by a PLO "court".

Hamza Abu Zaid, the 30-year-old assassin of Salah Khalaf, who ranked second in the PLO, and of Hayel Abul Hamid, in charge of the organisation's internal security, is being held in Yemen pending execution.

A PLO official in Amman said that Abu Zaid had been handed over by the Tunisian authorities about a month ago, and was taken to Yemen for "safe-keeping" and interrogation.

Abu Zaid, employed as a bodyguard by Hayel Abul Hamid at the time of the assassination, told his interrogators that he had been instructed to kill Salah Khalaf by a senior figure in the PLO leadership, led by the PLO architect, Yasser Arafat.

The latter, believed to be in Tripoli, is reported to have denied, in a message to the PLO leaders, responsibility for the death of Salah Khalaf, who was better known by his nom de guerre, Abu Iyad.

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# New setback for peace process in S Africa

By Michael Holman and Paul Waldmeir in Johannesburg

THE South African peace process received a further setback over the weekend when the African National Congress and the Inkatha Freedom Party called off talks aimed at ending black political violence.

The move followed an ANC ultimatum on Friday to President F.W. de Klerk threatening to suspend negotiations unless two government ministers were dismissed by May 9, and accusing the government and Chief Mangosuthu Buthe's Inkatha of continuing in the killings of ANC supporters.

Mr de Klerk rejected the ANC ultimatum, which also included calls for legislation to outlaw the carrying of weapons at public gatherings, phasing out the single-sex hostel system, a ban on the use of live ammunition by security forces at public events, a commission of inquiry into alleged police killings and the disbanding of counter-insurgency units.

Chief Buthe said he was "flabbergasted" at the ultimatum.

"It does not augur well for future constructive dealings between our organisations," he declared. A meeting between the ANC and Inkatha to discuss ways of ending fighting between supporters has been cancelled.

Mr Nelson Mandela, ANC deputy president, and Chief Buthe have met twice this year in an attempt to end faction fighting that has cost more than 700 lives since January. But the conflict has not diminished.

ANC officials privately conceded that the call for the dismissal of the ministers of Law and Order and Defence are unrealistic.

But they hope Mr de Klerk will take concrete steps to reduce violence. The ANC, however, reaffirmed its ultimatum over the weekend.

# Boeing shares \$33bn deal for helicopters

THE US Army has awarded a light attack helicopter contract worth potentially over \$33bn (£18.6bn) to Boeing and United Technologies' Sikorsky unit, Reuters reports from Seattle.

The news surprised Wall Street, which had seen the team of McDonnell Douglas and Textron as favourites. Boeing and Sikorsky said the award would help sustain their helicopter businesses, which analysts estimate have revenues of about \$1bn and \$1.5bn respectively.

The army plans to buy 1,292 of the LH aircraft over 13 years to 2009, with a \$2.5bn initial engineering development and prototype phase until the end of 1998.

Boeing said it would be responsible for the avionics and sub-systems and Sikorsky would build the body and final assembly. "Prototypes will be flown in 1994 and it will be in the field in 1998," an official said.

# Israel firm on 'land for peace' swap

By Hugh Carnegie in Jerusalem

ISRAELI will make no prior commitments implying acceptance of a "land for peace" swap formula as the basis for talks with Arab states and the Palestinians, a senior official said yesterday on the eve of a visit by Mr James Baker, the US secretary of state.

Israeli officials said they expected Mr Baker to press for an Israeli commitment to UN resolutions 242 and 338 as part of his efforts to elicit "confidence-building" measures from both sides in the Arab-Israeli dispute as he works to achieve a post-Gulf war Middle East settlement.

The two UN resolutions call for a withdrawal by Israel from Arab territories occupied in 1967, as well as guarantees of security for all regional states, including Israel. The Israeli-Egyptian Camp David

accords, which are officially endorsed by the present hardline Israeli government, enshrine 242 and 338, encouraging Washington to seek a renewed commitment to them by Israel.

But Mr Yossi Ben-Aharon, head of the prime minister's office, said: "242 and 338 and focusing on this subject is a consequence of persistent Arab efforts to squeeze out of Israel some sort of commitment prior to negotiations regarding withdrawal from territories in return for peace - or in other words acceptance of the formula 'land for peace'." "They won't get such a commitment," he told Israel Radio.

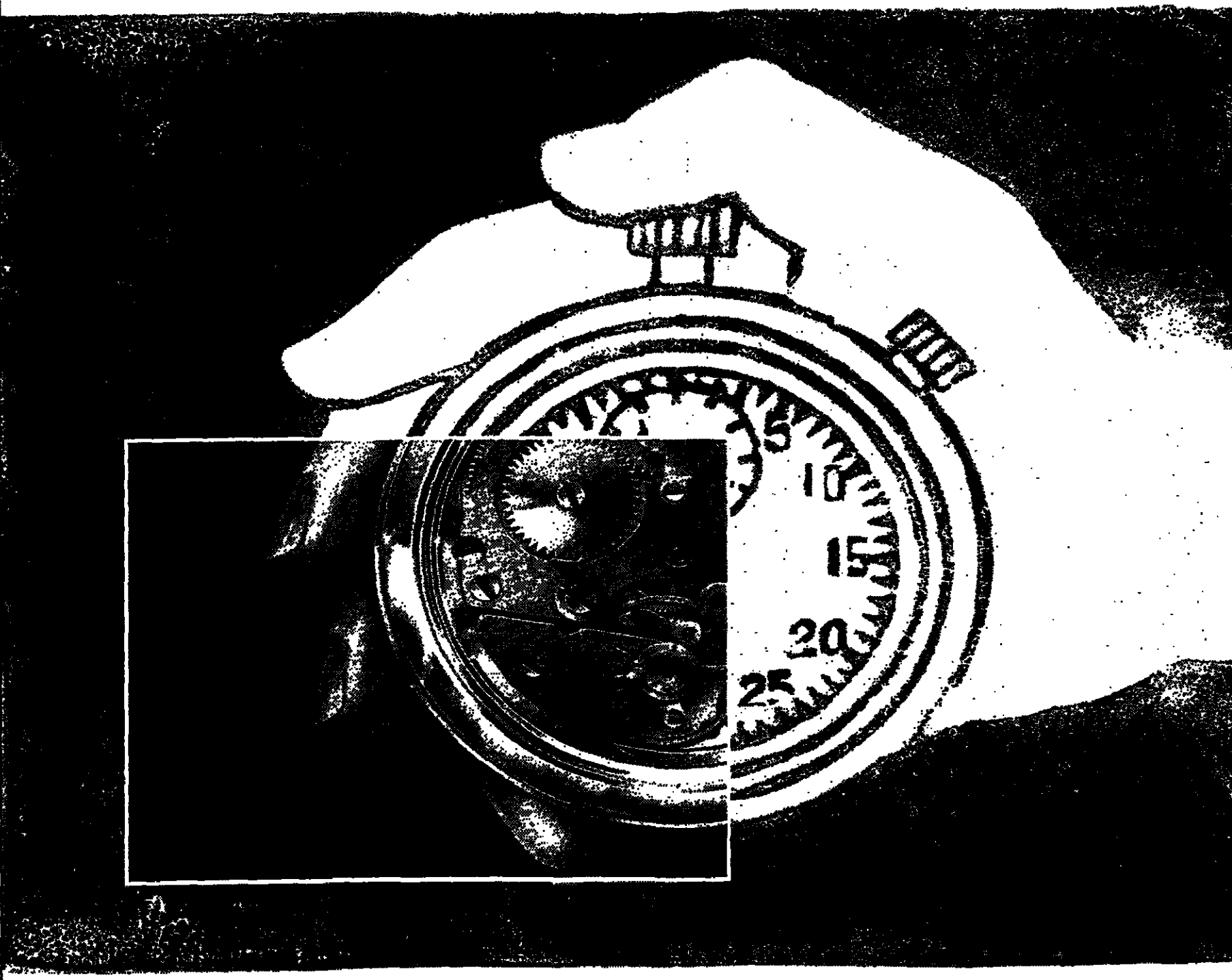
The Israeli side also expects that Mr Baker, who will visit Turkey, Egypt and Syria on his trip, his second to the Middle East since the war ended, will test Israel's

position on how the Palestinian side should be represented in any peace talks, and its attitude towards the idea of a symbolic regional peace conference jointly sponsored by the US and the Soviet Union to launch subsequent bilateral negotiations between Israel and Arab parties.

Mr Yitzhak Shamir, the Prime Minister, is adamant that the Palestine Liberation Organisation should be allowed no formal or informal role in any talks.

But Israeli officials say it remains possible that an acceptable formula could be found whereby Palestinians from the occupied territories were included, either in a joint Jordanian-Palestinian delegation, or as members of other Arab delegations, or as a separate Palestinian group which would negotiate directly with Israel.

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## INTERNATIONAL NEWS

## ALBANIAN ELECTIONS

## Communists set to control parliament

By Laura Silber in Tirana

ALBANIA'S communists were yesterday set to gain control of the country's first multi-party parliament after a second round of balloting.

The Albanian Party of Labour (APL), which has ruled since the communists seized power in 1944, needed to win only five more seats to gain a two-thirds majority in the 250-seat parliament.

The run-off pitted the communists against the opposition Democratic Party, the strongest challengers, in 19 electoral districts. The majority were expected to be completed yesterday.

The communists were fighting to prevent a repeat of the humiliation last Sunday when several key party officials were defeated in the first round.

President Ramiz Alia lost to a virtually unknown Democratic Party candidate, an engineer, Mr Fatos Nano, the prime minister, seen as a moderate APL member, yesterday sought election in one of Tirana's most privileged districts, where many of the communist leaders live, after he failed to win the required more than 50 per cent majority on March 31.

The victory of several hard-line communists in the first round has driven a further wedge between the APL and the opposition. The Democratic Party has refused to partici-



Alla casts his vote yesterday

part in a coalition government. Albania's leaders seem to be counting on the first session of parliament, to be held on April 15, to stem rising anti-communism among urban residents. The APL also hopes a multi-party parliament will win the western approval needed to secure loans.

## 'We'll eat grass if we have to'

IN the small Albanian village of Fier, bouquets of fresh flowers lay at the base of a statue of Enver Hoxha. The bust of the country's former dictator was replaced on February 23, three days after demonstrators had thrown it in the river.

"ENVER", written in giant, black letters, remains etched in stone on the hills outside Fier. Just 25 miles away, crowds mill around Kavaje, a run-down town in central Albania. Only 10 per cent of Kavaje's labour force of 1,000 is employed. But there they chant: "Democracy, democracy." The contrasts, and the deep divisions between town and country, between communist and anti-communist, could not be sharper.

Those divisions were drawn a week ago when Albanians won a comfortable majority in the rural areas but were swept out of power in the cities in the first free multi-party elections since 1921. But this division now threatens to tear apart this Balkan country of 3.2m people.

Kavaje is an anti-communist stronghold. The police and security forces stay out of sight. "The state will not send troops here. The people would fight. The party would collapse in Kavaje," says Mr Naim Kariqi, the head of the local branch of the Democratic Party. The town is in the hands of the opposition.

There are reports of vandalism of cars - those bearing number plates from southern cities. That is where support for the ruling Albanian (communist) Party of Labour (APL) is very strong.

Reasserting communist

## The Albanian opposition remains defiant, writes Laura Silber

authority in Kavaje will be difficult. "The Party of Labour only dares to work at night," say the locals who laugh at the idea of the communists returning. Outside the town, which is south of the capital Tirana, gangs of children flash the victory sign, the symbol of the opposition Democratic Party. Communist banners are nowhere to be seen - until one drives to Fier, where the communists won all 19 parliamentary seats.

Fier is reminiscent of Tirana eight months ago, just before the repression of four decades was lifted.

The police are everywhere. They stopped journalists after a visit to the local headquarters of the Democratic Party. Its leaders say the APL successfully intimidated potential opposition voters.

Despite its electoral defeat, the opposition is hopeful support for the communists will collapse in Fier, and indeed in other rural regions, as the country plunges deeper into economic and political chaos.

Mr Victor Margile, the local Democratic Party leader, said Albania should not receive badly needed foreign aid.

"We'll eat grass, if we have to," he said, repeating a slogan from the Hoxha era, when prosperity and foreign loans were scorned as subjugation to the west.

## Germans try to salvage industrial relics in the east

The past weighs heavily as politicians set out to revive hope in a blighted region, reports David Marsh

ROLLING along rutted roads in east Germany at the weekend in his armoured-plated Mercedes, Mr Hans-Dietrich Genscher, German foreign minister, allowed himself a drift down memory lane.

Mr Genscher travelled back to his native town of Halle, accompanied by President Richard von Weizsäcker, to fly the flag of national solidarity in a region hard hit by the prospect of job cuts in the east German chemicals industry.

During the car journey, Mr Genscher reminisced about his youthful wartime stint in anti-aircraft batteries and said he long pondered why Halle was never the target of full-scale Anglo-American bombing.

The answer was given, he

Germany's Federal Labour Office may not be able to spend the DM5.3bn (£1.78bn) earmarked for job creation schemes in east Germany this year because of inadequately organised local authorities, according to Mr Heinrich Franke, its president, writes David Goodhart in Bonn.

In an interview with Wirtschaftswoche business magazine, Mr Franke also revealed

said, when he read in an English newspaper in 1947 or 1948 that Halle was selected for eventual dropping of an atom bomb. Ruminating on the consequences if fighting had gone on longer than May 1945, he said: "We were lucky."

The Buna and Leuna chemical plants, built around lignite fields south of Halle, also were only lightly bombed, despite strategic significance. One of

that 300,000 east Germans were expected to commute to work in west Germany in 1991 and nearly 200,000 to settle there permanently.

Meanwhile orders received by German industrial enterprises fell sharply in February. The steep rise in domestic orders which began last summer now appears to have ended, while foreign orders were also down.

union representatives plead for more money to shore up the plant's future. Today the Treuhand, the agency in charge of east German industry, is due to spell out plans for fresh investment at Leuna and Buna - seen as an important vote of confidence in the region.

The Leuna works, built in 1916 by BASF, the German chemicals group, has cut its workforce to 20,000 from 27,000,

with many working short-time. The number of employees is due to fall further to 14,000.

The oldest section of the plant, the 75-year-old ammonia production unit, has just been closed. Buna has lost 5,000 of its former 18,000 workers and is due eventually to have only 8,000 employees.

Mrs Dagmar Szabados, Halle's acting mayor, said the visit was "a sign that there is willingness to do something" about the region's problems. Recent government assurances that the east German chemical industry will not be allowed to die were "a step in the right direction," she said.

Many local people suspect the big west German chemical groups want Leuna and Buna completely shut to increase their market share.

Mr Wolfgang Weise, head of Leuna works council, said he is hoping for a DM400m investment boost from the Treuhand today. Co-operation has already been agreed with Germany's Linde in industrial gases and BP in refining.

At a press conference in Halle's medieval town hall, set on a market square tinged with the ugly architectural residue of 40 years of communism, Mr von Weizsäcker pleaded for Germans to strike a balance between over-optimism and painting the future of east Germany too black. "Challenges are not just economic but psychological," said the president, underlining that the shadows over east Germany's blighted industrial landscape will take a long time to dissipate.

## Moscow struggle over police job

By John Lloyd in Moscow

THE SOVIET central government has clashed with the Russian Federation over appointment of a new Moscow police chief, in the first moves in a power struggle as Mr Boris Yeltsin prepares to strengthen his own role through direct election as Russia's president.

Mr Boris Purg, the Soviet interior minister, yesterday annulled an order by his Rus-

sian counterpart to appoint the radical Militia Lieutenant General Vyacheslav Komissarov as head of the main department of internal affairs for Moscow.

Instead, he confirmed the powers of Lt Gen Ivan Shilov, his first deputy minister, as acting head of Moscow's police.

Gen Shilov was appointed late last month, as Soviet President Mikhail Gorbachev stripped

Moscow of its police powers after Moscow City Council had refused to accept a ban on a pro-Yeltsin demonstration.

The moves come as Mr Yeltsin and Mr Gorbachev enter a two-month period of heightened tension, with Mr Yeltsin preparing to stand for election as Russia's president and so take on the mantle of the country's real leader.

## Poles ready for easier travel

By Christopher Bobinski in Warsaw

MANY POLES were preparing yesterday to cross their western frontier, as Germany, Italy, France and the Benelux countries were due to lift visa requirements from midnight.

The decision, covering stays of up to three months, is a sign to Poles that barriers between East and West are coming down. Business will also be easier, especially for small pri-

vate traders who import a growing amount of consumer goods from retailers in Berlin, 100km from the Polish frontier.

Last year, Poles crossed their western frontier 20m times. This figure is expected to double or treble in 1991 as a result of the visa decision.

However, there will be delays at under-staffed customs posts as officials search

for such goods as alcohol and tobacco, meant for sale in the West, and seek to stop third world citizens hoping to slip into the EC through Poland.

● The Porozumienie Centrum, a right-of-centre party with origins in Solidarity, and its allies urged voters at the weekend to press MPs to resign, in a bid to bring about early parliamentary elections.



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## Commission tries to resolve dispute over environment agency

**Ripa di Meana: plans to publish report on fiasco this month**

ITALY'S prime minister, Mr Giulio Andreotti, will today send proposals for a new government programme to his coalition partners, after week-end meetings revealed a measure of agreement on the priority of reforming the constitution.

The signs of consensus have pushed back the prospect of early polls and opened the way to a new Andreotti government, his seventh, being formed possibly this week. The new coalition would involve the same five parties, whose differences of late have led to the collapse of the 49th post-war administration last month, but

Tokyo. Apparently this exercise was to enhance our awareness of ourselves as Bank of Tokyo employees, and possibly to provide free advertising for the bank."

While opinion polls show that fewer and fewer young people intend to spend their whole careers with one employer, companies still believe that the tradition of lifetime employment is the foundation of corporate Japan.

The former Bank of Japan employee spoke of the commitment and loyalty expected by the company which provides the often lengthy training period. Many Japanese would consider someone who leaves the company after training a traitor, he said.

tor," says Mr. Jeremy Dickinson, a partner with accountants Coopers & Lybrand. Selolotto, Hays and German companies would have greatest scope to win market share by competing aggressively and writing business at uneconomic rates.

Worse still for British companies, UK tax authorities appear to have launched a campaign to compel them to discount their reserves by reducing these by the value of future expected investment, further increasing the tax take.

Commercial Union is in a bitter dispute with the Inland Revenue. According to Mr. Peter Foster, C&U's tax controller, "the Revenue is looking at the North American practice when they should be looking at Europe. Far from creating a level playing field, they're actually trying to widen the gap."

Finally, the single market has produced a number of problems at least in the short term, the dif-

Figures for GNP/GDP are in billions of the appropriate national currency for the US, Germany, France and the UK, and in trillions for Japan and Italy. The first breakdown is in current prices and the second shows growth rates in the constant price series.																																				
■ UNITED STATES						■ JAPAN						■ GERMANY						■ FRANCE						■ ITALY						■ UNITED KINGDOM						
CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	CURRENT PRICES	Gross Domestic Product	Private Cons.	Private Invest.	Govt. Expend.	Net Exports	
	as a % of GDP						as a % of GDP						as a % of GDP						as a % of GDP						as a % of GDP						as a % of GDP					
1984	3,772.2	84.4	17.8	18.5	-1.6	301.0	58.3	28.0	9.8	2.9	1,770.0	56.7	20.4	19.8	3.1	4,261.9	60.5	19.0	19.9	0.4	727.2	62.9	23.0	16.5	-1.8	324.9	61.4	17.3	21.5	-0.2	1984	3,772.2	84.4	17.8	18.5	-1.6
1985	4,014.9	85.5	18.0	20.4	-1.9	321.6	58.7	28.0	9.5	3.7	1,844.3	56.3	19.5	19.8	4.3	4,700.1	60.8	18.9	19.3	0.7	812.7	62.8	22.5	16.7	-1.9	358.3	61.2	17.2	20.7	0.9	1985	4,014.9	85.5	18.0	20.4	-1.9
1986	4,201.8	86.1	18.1	20.4	-2.3	335.8	58.4	27.7	8.5	4.3	1,945.2	54.9	18.5	18.7	5.9	4,700.1	60.8	18.9	19.3	0.7	867.3	62.4	20.7	15.5	0.4	383.5	63.1	16.9	20.7	-0.7	1986	4,201.8	86.1	18.1	20.4	-2.3
1987	4,515.8	86.9	15.6	20.7	-2.5	341.5	58.9	9.1	3.7	2.0	2,015.8	56.7	19.1	19.1	0.1	5,320.8	60.7	19.1	19.1	0.1	976.5	61.1	20.8	17.1	-0.1	421.6	63.0	17.0	20.7	-1.1	1987	4,515.8	86.9	15.6	20.7	-2.5
1988	4,673.7	86.4	15.3	19.7	-1.5	373.7	57.8	30.4	9.1	2.9	2,123.2	54.4	20.4	19.4	5.8	5,692.7	60.1	21.0	18.8	0.1	1,082.9	61.9	21.4	17.3	-0.8	467.3	63.7	20.2	19.7	-0.7	1988	4,673.7	86.4	15.3	19.7	-1.5
1989	5,200.8	86.3	14.5	19.7	-0.9	399.7	57.3	31.5	9.1	2.1	2,261.4	53.6	21.6	18.5	6.3	6,045.6	59.8	21.3	18.5	0.4	1,188.0	62.0	21.6	17.0	-0.7	508.9	64.2	20.1	19.5	-3.9	1989	5,200.8	86.3	14.5	19.7	-0.9
1990	5,493.0	87.0	13.6	20.1	-0.7	428.6	56.8	32.9	8.9	1.4	2,443.8	52.9	22.4	18.3	8.3	6,320.0	60.1	21.0	18.4	0.5	1,294.4	61.9	21.8	17.0	-0.8	543.8	65.5	19.0	20.0	-2.6	1990	5,493.0	87.0	13.6	20.1	-0.7
1st qtr 1990	5,376.4	86.8	14.0	19.9	-0.8	416.7	57.0	31.8	8.9	2.2	2,400.8	53.2	21.8	18.4	6.8	6,320.0	60.1	21.0	18.4	0.5	1,294.4	61.9	21.8	17.0	-0.8	543.8	65.5	19.0	20.0	-2.6	1st qtr 1990	5,376.4	86.8	14.0	19.9	-0.8
2nd qtr 1990	5,448.3	86.6	14.0	20.0	-0.6	428.9	57.0	33.0	8.8	1.1	2,408.4	53.2	22.4	18.9	6.0	6,404.6	60.1	21.1	18.5	0.4	1,283.2	62.0	20.8	17.2	-0.1	544.8	65.3									

consumption rather than gross investment. Consequently, comparison of aggregate investment and government consumption cannot be made between the US and other countries.

A frequent source of confusion arises over the difference between the sum of government consumption and investment, on the one hand, and total government spending, on the other. A major component of government spending in advanced industrial countries is transfer payments, namely, unemployment benefits and other forms of social payments. These do not appear as government spending in the national accounts. Of these transfers are spent by the recipients, they count as private rather than as government consumption.

The lower half of the table shows real growth rates for GNP or GDP and private consumption, and the upper half government consumption. Real growth rates are calculated using a constant

series, which removes the effects of inflation. The final column for each country shows growth rates for exports rather than for the trade balance, since the latter would be both highly volatile and uninformative.

The reduction in trade deficits and surpluses over the last few years is quickly apparent from the upper half of the table. The US trade deficit has fallen, as a share of GNP, from 2.5 per cent to 0.8 per cent, between 1987 and the fourth quarter of 1990. The Japanese trade surplus has fallen from 3.7 per cent to 1.2 per cent of GNP over the same period.

One striking feature of the lower half of the table is the divergences in growth rates that has developed over the past year. US economic growth slowed from 4.5 to 0.9 per cent between 1988 and 1990, while economic growth in the UK slowed from 3.9 to 0.7 per cent. In west Germany, by contrast, economic growth rose over the same period from 3.7 to 4.5 per cent.

**Edward Balls  
and Jill Lavyland**



Stephen Fidler reports on the meeting of the Inter-American Development Bank

## Optimism on Peruvian arrears plan

SENIOR finance officials from industrialised countries expressed optimism yesterday about plans to wipe out Peru's huge payments arrears to international financial institutions. But they said the means of achieving this was very complicated, in view of the size of the backlog, and success was not guaranteed.

Peru is \$2.1bn behind in interest payments to the International Monetary Fund, the World Bank and the Inter-American Development Bank. Until this is cleared, Peru will be denied access to loans by the institutions.

President Alberto Fujimori of Peru made an impassioned plea at the IADB meeting here yesterday for "rapid and effective assistance" to his country. The Peruvian people had suffered from inflation, terrorism and drug-trafficking - now a cholera epidemic had already cost an estimated 5,000 lives.

He was particularly seeking help from the international financial institutions. Mr Fujimori attended a meeting yesterday of more than a dozen countries friendly to Peru. These will be expected to provide financial support by way of short-term bridging loans and long-term financial aid. The US is willing in principle to lead a support group if the plan wins acceptance.

Mr Ryutaro Hashimoto, Japanese finance minister, said Japan would look favourably on requests for help, but that would depend on Peru's economic reforms and not on Mr Fujimori's Japanese ancestry.

Mr David Mulford, US Treasury under-secretary, said a lot of work had already been done on the proposal, but much more was needed. However, he did not rule out Peru's becoming eligible for IADB loans this year by paying off the \$357m in interest arrears.

Then, stage by stage, it might be able to erase arrears to the World Bank (about \$900m), and the IMF (about \$800m). This sequential repayment runs counter to usual policy - all the institutions insisting on being repaid together. This is likely to be controversial since funds from one institution will be seen as partly repaying others.

## Latin American poverty 'deepened' by reforms

ECONOMIC reform programmes in Latin America have worsened poverty in the region, according to the Inter-American Development Bank.

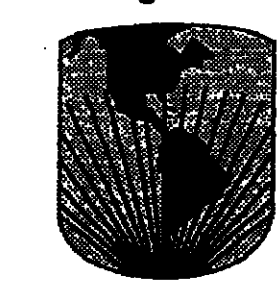
"Drastic fiscal adjustment, inflation and stabilisation programmes have unquestionably exacerbated the problems of poverty existing at the beginning of 1990," the bank says in its annual report, published yesterday.

Per capita consumption in the region declined and attempts to keep government budgets in check have reduced state assistance for health, nutrition, education and housing, it says. This has reinforced the need to combine economic reform with programmes to improve the living conditions of the poorest.

Latin America and the Caribbean suffered economic contraction last year, bringing to an end several years of growth. Gross domestic product in the region declined by 0.8 per cent last year, compared with growth of 0.9 per cent in 1989.

The main reason for the contraction was recession in Argentina, Brazil and Peru, which represent about 55 per cent of the region's GDP.

In Argentina the economy shrank by 2 per cent, in Brazil by 4 per cent, and in Peru by 6 per cent. Peru's economy has contracted by a quarter in three years; that of Argentina



by 11 per cent.

However, despite the short-term costs of economic reform, the bank says that offers the best hope for growth in the medium to long term. The report cites a bank study suggesting that a policy of continuing policy reform - increasing the openness of economies, restructuring public sectors and revitalising private sectors - may allow growth in the region to accelerate to about 5 per cent a year by the end of this decade.

This would lead to a halving of interest payments as a proportion of exports, from the present 25 per cent, even with a moderate increase in the volume of debt. If reforms already made were reversed, the growth rate would drop to 2.3 per cent during the 1990s. This would be better than the average 1.1 per cent of the previous decade, but would allow no increase in average per capita income levels.

## Japan warning on debt write-offs

JAPAN'S finance minister, Mr Ryutaro Hashimoto, said yesterday that countries which have their foreign debts forgiven by the Japanese government will be in danger of losing access to new Japanese finance.

He mentioned no country by name, but his comments followed an unprecedented agreement last month by which foreign governments agreed to write off at least half of Poland's official debt. Japan participated reluctantly.

Mr Hashimoto, in Nagoya for the annual meeting of the Inter-American Development Bank, appeared to suggest that countries which win official debt forgiveness from Japan will not receive new loans. If

Japanese government loans were not to be repaid, "then it will become extremely difficult for Japan to provide new lending to that country," he said.

Even for countries undergoing profound economic reform supported by the International Monetary Fund and the World Bank, it "would not be easy for Japan to agree to take the option of official debt reduction."

Japanese banks in recent debt reduction agreements with Latin American countries appear to have adopted a similar position. No Japanese bank was among the large number of banks that agreed, for instance, to make new loans in Venezuela's recent debt restructuring.

The report also remarks on a worsening of the region's inflation in 1990, although inflation fell substantially in the final months of the year in some countries.

According to the report, export growth in Latin America continues to lag behind the average for developing countries. Import volumes by industrialised countries grew by 8.5 per cent last year, but Latin American export growth reached only 4 per cent, compared with 8 per cent in Asian developing countries.

Despite the Brady initiative by the US, aimed at reducing the debt of developing countries, the region's debt grew last year, but by a modest \$3.5bn. The main reason was a growth in interest arrears to creditors. These grew by \$10bn to \$27bn last year, accounting for 6 per cent of the total debt. The decline of the dollar added a further \$3bn to the total.

At the end of last year, three countries were in what is called no-acrual status with the IADB, having let payment arrears build up for more than 180 days: Peru with \$160m overdue, Panama with \$82.8m, and Nicaragua with \$15.1m. The report shows new loan approvals by the bank in 1990 rose to \$3.9bn, from about \$2.7bn the year before, but disbursement of funds dropped slightly to \$2.5bn.

## Brazil to resume coffee exports

By Victoria Griffith in São Paulo

BRAZILIAN coffee exports are to open for registration today, ending a two-week suspension that wreaked havoc in the coffee market. The government, which announced the move late on Friday, denied there had been any insider trading shortly before the suspension on March 21.

A special commission had been formed to investigate allegations that some exporters had registered large amounts of coffee just before registrations closed.

Coffee organisations claimed these exporters had used inside information to take advantage of an expected price rise after the announcement. Only four people - Ms Zilma Cardoso de Mello, economy minister; Ms Silvia Faria, her press officer; Mr Ricardo Mesquita, coffee supply and prices director; and Mr Edgar Pereira, economy secretary - were officially privy to the decision to suspend exports. They deny having leaked information.

But a piece by journalist Patricia Saldaña, of the news agency Unim, appeared on the wire a half-hour before the suspension was announced.

The Ministry of Economics announced last week that it was cancelling all registrations made on the 21st, to eliminate any ill-gains made from privileged information.

Coffee registrations are reopening under a modified system. Coffee for export between today and the end of September must be registered either at a fixed price or on a price-fixing basis, for example according to the futures market. Coffee for export between the end of September and January, 1992, must be registered on a price-fixing basis only.

The Government hopes the move will avoid speculation in the markets leading up to an international coffee conference in September.

According to the Government, registrations were originally suspended to avoid speculation surrounding Brazil's consideration of a return to an international coffee accord.

## Bush and Salinas unite behind US-Mexican free trade effort

By Damian Fraser in Houston

PRESIDENTS George Bush and Carlos Salinas met yesterday in Houston to discuss the rising US Congressional opposition to the proposed free trade agreement by the US and Mexico.

Mr Bush is thought to have confirmed, in the private talks, that getting the agreement through Congress is his main legislative priority this year.

The Congress has until June 1 to deny the president the authority to negotiate the FTA on what is called the fast track, which would let the administration negotiate an agreement that, although subject to Congressional approval, could not be amended. Without this device, the FTA would almost certainly be abandoned.

In recent weeks, prominent Democrats in the US, supported by most US unions and environmental groups, have come out against an extension of the fast-track authority.

On March 27, Mr Richard Gephardt, House Democratic

majority leader, told Mr Bush he would support the agreement only if it promotes US jobs, preserves the environment and defends the rights of Mexican workers.

The strength of US opposition to the FTA seems to have surprised Mr Salinas, who is clearly anxious lest what is a big political gamble for his administration not pay off.

In the Dallas Morning News yesterday, he was quoted as saying: "Without the free trade agreement, you will witness millions of Mexicans crossing the border looking for work."

Mr Brian Mulroney, Canada's prime minister, in Ottawa yesterday, in their first meeting since Canada joined the FTA talks in February.

This week, Mr Salinas, accompanied by almost half his cabinet and by many of Mexico's most prominent businessmen, will visit Montreal, Toronto, Boston, Chicago, Austin and San Antonio to pro-

note the FTA. On Thursday, he will give the keynote address of the annual meeting of US newspaper editors at Harvard University.

Mr Salinas will hope to sway some members of the House of Representatives, where the vote is likely to be closer than in the Senate. According to the pro-FTA Chamber of Commerce in the US, 97 members are against or inclined against approval for fast-track, 158 are in favour or so inclined, and 123 are undecided.

Fast-track authority looks likely to be approved, but the administration will hope that Congress does not split the issue into one on GATT negotiations and another on Mexico.

Also, the two governments may have to promise to include some non-trade provisions, such as references to labour standards and the environment, in the pact. They would probably agree to this if necessary to save the agreement. Economic notebook, page 17

## Earthquakes hit Peruvian cities

By Sally Bowen in Lima

A CHAIN of earthquakes in northern Peru has killed at least 60 people, injured 600 and left thousands homeless.

Between 20 and 30 tremors of varying intensity were registered from late Thursday to Saturday in the northern jungle department of San Martín, which suffered a severe quake almost a year ago. Other tremors were felt in Peruvian coastal cities, including Lima, the capital, as well as in neighbouring Ecuador.

The main quake, just before midnight on Thursday, registered 6.5 on the Richter scale. Its epicentre was some 20 miles north of Moyobamba, the departmental capital, where 12 people are known to have died. The death toll in outlying villages is still uncertain.

After being rocked by a big tremor, Lima and southern coastal cities also suffered black-outs as guerrillas blew up electricity pylons. The black-out in the capital was immediately followed by co-ordinated attacks on half a dozen embassies and about 20 banks.

A car bomb exploded outside

the Japanese embassy and a rocket attack was launched against the building housing the British, Israeli and Colombian diplomatic missions. No-one was killed, but there was heavy damage.

Friday night's terrorist activity, the most extensive for many months, came after weeks of relative calm. It was not immediately clear which of Peru's two main guerrilla groups, Sendero Luminoso (Shining Path) or the Tupac Amaru Revolutionary Movement (MRTA) was responsible.

## US military chief to visit Salvador today

THE head of the US joint chiefs of staff, Gen Colin Powell, is to visit El Salvador and Honduras today to meet government and military leaders, writes Tim Cooney in Managua.

US diplomats said there was "no political message behind the visit". However, it comes during a new round of peace talks between the Salvadoran government and the left-wing FMLN guerrillas, begun in Mexico last week amid rising expectations of an imminent cease-fire agreement.

Both sides have stated that this latest round will continue "until agreement is reached". The FMLN has brought four commanders out of the Salvadoran mountains, under UN escort, to attend the talks.

Last month, the guerrillas dropped their insistence that military reforms must precede any cease-fire.

The key issue will be whether the government and armed forces are prepared to recognise FMLN control of considerable tracts of territory.

In Nicaragua, two years passed between an initial ceasefire agreement and final disarming of the Contra rebels.



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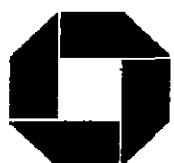
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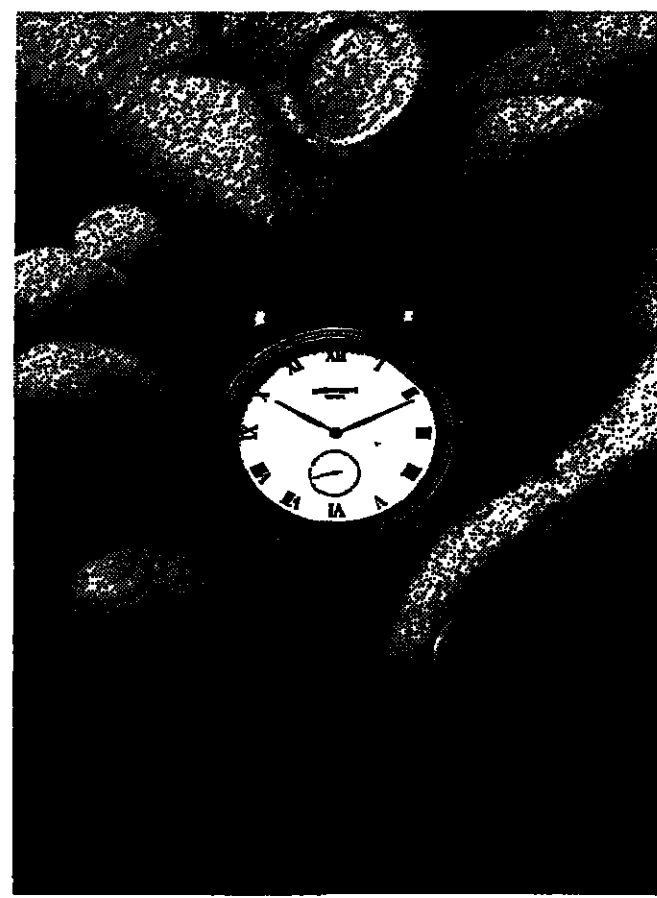
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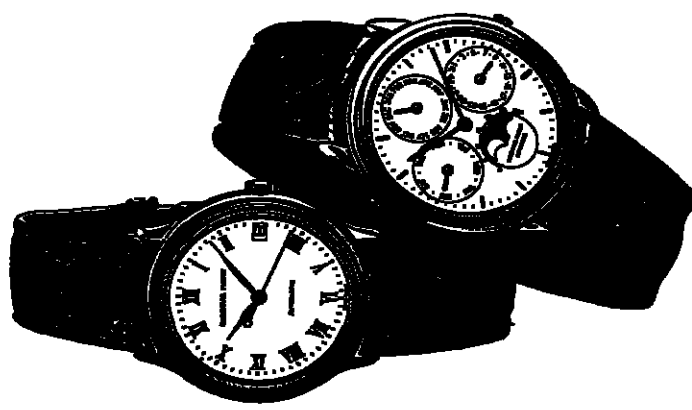
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## UK NEWS

# Recession continues, report says

By Daniel Green

COMPANIES' sales and profits will continue to fall during the next three months, according to Dun & Bradstreet, the business information company.

Although managing directors are slightly less pessimistic than at the start of the year, it is still too early to say that the UK has begun to climb out of recession.

Employment prospects remain gloomy, with 42 per cent of the 1,300 managing directors interviewed expecting to shed staff, compared with 46 per cent in January.

D&B's quarterly Business Expectations Survey is more cautious than the Confederation of British Industry, which reported on business confidence last week.

While the CBI saw a recovery from preceding lows in confidence indicating that the bottom of the recession was close, D&B emphasises that pessimism is still high. All its measures of optimism are lower than a year ago, including expectations of new orders.

Lower post-tax profits are expected this quarter by 44 per cent of managing directors, against 35 per cent expecting rises. In construction - overall the most pessimistic sector - the figures are 55 per cent and 15 per cent respectively.

A consumer boom before the summer seems ruled out by 42 per cent of retailers expecting lower sales, against 38 per cent seeing an improvement. Higher prices are expected by 68 per cent of retailers, with 8 per cent seeing price cuts. That deals a blow to hopes of a sharp reduction in inflation.

Better news, for the government as well as business, is that exports are poised to increase, especially from the south. D&B interprets that as being in response to the weakening of sterling against the dollar and in anticipation of declines against other currencies.

Spending on advertising remains low. Just 17 per cent of respondents expect to increase their advertising budgets, against 28 per cent planning to spend less.

The most troubled part of the country is the manufacturing-dominated Midlands. The West Midlands is the most pessimistic region on employment, while the East Midlands shows a sharp fall in hopes for exports. London, the south-west and the north-east show the sharpest turnaround from pessimism to optimism since the previous survey in January, although on balance the outlook is still negative.

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## ICI chief calls for better performance

By Charles Leadbeater, Industrial Editor

SIR DENYS HENDERSON, the chairman of Imperial Chemical Industries, has issued the company's managers with a blunt warning that their performance will have to improve markedly for the group to respond effectively to the recession.

Sir Denys, interviewed in the latest issue of the ICI staff magazine, paints a picture of a company in which there has been too much unproductive debate and not enough rigorous monitoring of business performance. He gave further details of the planned restructuring at ICI which was thrashed out during a four-day debate among senior executives before Christmas.

after reports from two task forces that had been set up in September.

ICI has instituted a far-reaching overhaul of its management structure and its business portfolio after reporting a 36 per cent decline in pre-tax profits for last year to £977m.

The group has set aside an extraordinary provision of £300m to cover restructuring costs, regrouped its activities into seven business units and launched a review of investment priorities that might lead to a significant reshaping of its activities.

Sir Denys said although ICI had high-

quality staff, they had to put more effort into improving performance rather than "stagnant debate" about the management structure.

He said: "There is too much of that. This is a time for action - not further philosophical and unproductive debate. Our management approach needs to be simplified, more rigorously performance oriented and lower cost."

Sir Denys disclosed that the chief executives of the main business units felt they had far too little influence over corporate policy. A more rigorous system of financial monitoring will be introduced.

### FT SATELLITE MONITOR

## Growth seen as sales of dishes rise steadily

By Raymond Snoddy

THE SATELLITE television market in Britain is showing signs of growth in advance of a £50m promotional push for British Sky Broadcasting, the merged five-channel satellite television venture.

A further 52,000 homes installed satellite dishes in March, according to the latest FT Satellite Monitor, compared with 41,000 in February.

That takes the total of homes in Britain able to receive satellite TV to nearly 1.4m since the launch of Sky Television just over two years ago.

"The market is showing definite signs of improvement," said Mr John Clemens, chairman of Continental Research, which produces the market survey for the FT. It is based on telephone interviews with a weighted sample of more than 5,000 people, but has a margin of error of plus or minus 50,000.

The impact of satellite television has been particularly marked in the past 12 months. In March 1990, the FT Satellite Monitor estimated that there were 588,000 homes with satellite television. A year later, the total receiving BSkyB channels (in which Pearson, publisher of the FT, has a stake) and other satellite channels, such as MTV, Children's Channel, Lifestyle and Screenport, direct to the home is 1.4m, an increase of 132 per cent.

A further 40,000 receive the satellite channels via cable television networks, while 125,000 homes are hooked into communal aerials.

The size of the potential market - at 3.5m homes - has not changed at all since March 1980. That includes all those who have installed equipment and those who say they will definitely or probably install a dish. Because of the rise in actual installations, the potential market for new installations has dropped from 2.7m in March 1980, to just under 2.1m now.

The Department of the Environment rejected calls for more funding for the zoo, the world's oldest. It said it would be unfortunate if the 164-year-old Regent's Park zoo had to close, but added: "Clearly it is not attracting enough visitors to break even. There is no government money available."

The zoo said closure of the Regent's Park site was only one option being considered in response to its financial crisis. As evidence of its determination to remain open it was presented with plans to receive Ming-Ming, a giant panda, from China.



Hungry for cash: the zoo is seeking private funding. Picture by Alan Harper

## Zoo funding plea rejected

REPORTS of the impending slaughter of animals at London Zoo left the government unmoved yesterday, Michael Skapinker writes.

The Department of the Environment rejected calls for more funding for the zoo, the world's oldest. It said it would be unfortunate if the 164-year-old Regent's Park zoo had to close, but added: "Clearly it is not attracting enough visitors to break even. There is no government money available."

The zoo said closure of the Regent's Park site was only one option being considered in response to its financial crisis. As evidence of its determination to remain open it was presented with plans to receive Ming-Ming, a giant panda, from China.

The zoo played down claims that closure would mean some of the animals would have to be killed.

While it might take time to transfer animals to its 600-acre zoo at Whipsnade, Bedfordshire, "going out and shooting them is not an option," the zoo said.

Visitors to the zoo have fallen from an annual 3m in the 1950s to 1.1m last year. In 1989-90, it had an operating deficit of £4.5m. Interest on what remains of a previous government grant of £10m helped trim the shortfall to £2m.

The zoo is due to have further talks with the Department of the Environment this week. It is also looking for private funding to cover its deficit.

The government said yesterday that it was made clear when the £10m grant was made in 1988 that the zoo would get no more money. The grant followed a report by Peat Marwick Mainwaring, the management consultants, which advised the zoo to adopt a more professional marketing approach. The zoo said the Peat Marwick recommendations, including the setting-up of a subsidiary called Zoo Operations, had all been followed.

It has now received a report from McKinsey, another management consultant. The zoo would not disclose details of the report but said it outlined several options short of closure.

At the other end of the scale, the review group will consider a full revaluation of every household by the Inland Revenue's valuation office.

A compromise to which ministers incline would be the use of "bespoke" or "lighthouse" valuations. Members of the review committee believe that valuing a small sample of recent house sales in different types of property in each area to assess market values would prove a swift, practicable and inexpensive basis for the new system.

There is also expected to be some form of banding, based on type of property, floor space or value. Property types could range from a one-bed flat, through a three-bed semi to a mansion. That would reduce costs and help to eliminate overcharging on very expensive property and undercharging at the cheaper end.

On value, the choice would then lie between fewer thick bands and more thin bands, both of which would create difficulties. With thin bands there would be more likelihood of frequent movements of property between bands, which would generate a lot of appeals as any movement would tend to mean a higher tax.

Thick bands would mean fewer disruptive amendments and fewer appeals, but would be keenly contested as there would be more at stake in the result.

There will certainly need to be wide regional variations to counter house price differences. It will be important to ensure that a three-bedroom house in a leafy London suburb does not receive a rates bill three times as high as a similar house elsewhere.

Ministers will also have to decide what kind of grant, if any, it will pay to support local authorities in the north of England which will have a much smaller tax base than those in the south.

As the review enters its next stage, the difficulties of each option are acutely apparent. The importance to the government of getting it right this time can hardly be overstated.

## Labour to brief Japan on economic policies

By Daniel Green

MR JOHN SMITH, shadow chancellor of the exchequer, will tell industrialists in Japan on Thursday that a Labour government would encourage increased investment from Japan.

The Kaidanren, the Japanese employers' federation, will hear Mr Smith, who criticises Keynesian economics and monetarism in favour of policies that encourage stability and supply-side strength. He will emphasise Britain's commitment to the European Community and its institutions, particularly the exchange rate mechanism.

Mr Smith will advocate the establishment of a European Central Bank as part of European monetary union, saying that London should be the bank's base and the European Council of Economic and Financial Ministers (Ecofin) should be made responsible for the EC's economic strategy.

In turn, Japanese investment in training will be singled out as an example the UK should follow, as well as the involvement of the finance ministry in monetary policy.

The visit is part of the Labour party's campaign to increase its acceptability to the world's business and financial establishment.

A further cut in interest rates was urged yesterday by Mr Gordon Brown, shadow trade secretary, to avoid a loss of industrial capacity. Alison Smith writes. Mr Brown said that the latest surveys suggested that the Budget forecasts for output and investment were an underestimate.

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## Grasping poll tax nettle leaves sting intact

By Richard Evans

THE NETTLE that has been grasped by the government in substituting a tax on property and people for the hated poll tax will retain a powerful capacity to sting as the various options are debated in the next few months.

Precisely how the value of a property should be assessed, and how it should be affected by the number of adult occupants will keep the government-appointed review committee occupied until the summer. Even so, some favoured options are already emerging.

They will be fleshed out in the consultation document due to be published almost immediately after the House of Commons reassembles next Monday. The three main contenders are: a property tax based on notional rental value; site value; and capital value. Each has drawbacks of unfairness, complexity, expense or timing. Each also has its adherents and each will figure in the discussions.

Rental valuation would mean returning to the rates system abolished in England and Wales in April 1990 and in Scotland a year earlier. It was the unpopularity of that system and the small numbers paying to finance local government that prompted the government to introduce the poll tax in the first place.

Its supporters back it, at least as an interim measure, because the rates register still exists, so that the tax could be introduced next year rather than in 1993-94; the date promised for the launch of the new tax by Mr Michael Heseltine, environment secretary.

That is probably its only virtue. Its former unpopularity and unfairness would quickly reappear and there remains insufficient evidence on which to base rental values.

When rateable values were introduced a century ago, 95 per cent of the population lived in rented accommodation. Now 70 per cent are owner-occupiers and no more than 10 per cent live in private rental accommodation. There would have to be a revaluation of all properties throughout England and Wales, as the current lists would be 20 years old.

Mr Richard Kaunzbe of the Royal Institute of Chartered Surveyors says: "It would be absurd to devise a system based on less than 10 per cent of the whole housing stock."

Site valuation is claimed to have more long-term validity, as its basis is permanent. By ignoring the buildings on a site, such features as deterioration or improvement of a building are irrelevant. Site valuation would be open to the same sort of criticism as rental values.

A local tax based on capital values, linked to the number of adults living in a house, is the clear favourite. The form it may take and the way it will operate are unclear.

Methods of establishing a value may include some form of self-assessment, with a householder completing a form stating the size and type of property, and adding his or her assessment of its value. If that assessment seemed wildly inaccurate, the local authority could send a valuer to check. There would be an appeals procedure.

That would be the simplest method, removing the need for a complex and expensive revaluation and bureaucracy.

At the other end of the scale, the review group will consider a full revaluation of every household by the Inland Revenue's valuation office.

A compromise to which ministers incline would be the use of "bespoke" or "lighthouse" valuations. Members of the review committee believe that valuing a small sample of recent house sales in different types of property in each area to assess market values would prove a swift, practicable and inexpensive basis for the new system.

There is also expected to be some form of banding, based on type of property, floor space or value. Property types could range from a one-bed flat, through a three-bed semi to a mansion. That would reduce costs and help to eliminate overcharging on very expensive property and undercharging at the cheaper end.

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Ministers will also have to decide what kind of grant, if any, it will pay to support local authorities in the north of England which will have a much smaller tax base than those in the south.

As the review enters its next stage, the difficulties of each option are acutely apparent. The importance to the government of getting it right this time can hardly be overstated.



## Labour to brief Japan on economic policies

By Damien Green

Labour's new economic policy will be set out in a briefing to Japanese officials in London on Monday, a source close to the party said. The briefing will be held at the Labour Party headquarters in London and will be attended by senior Labour officials and Japanese officials. The briefing will be held at the Labour Party headquarters in London and will be attended by senior Labour officials and Japanese officials. The briefing will be held at the Labour Party headquarters in London and will be attended by senior Labour officials and Japanese officials.

## Non-taxpayers are failing to register

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## Housing market

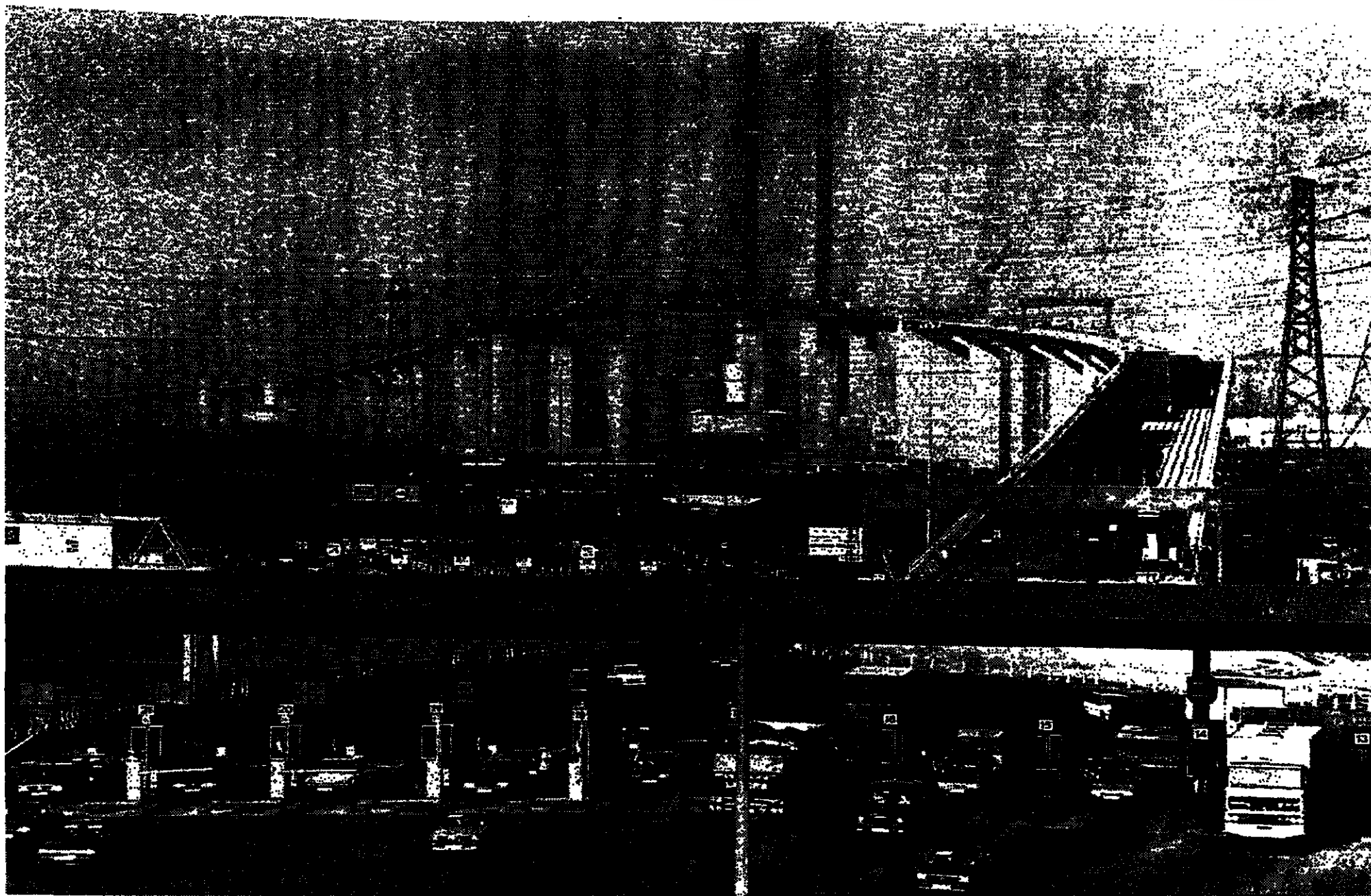
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## Gifts issue

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## Relief in sight for Thames crossing traffic jams

By Andrew Taylor, Construction Correspondent

THE LONG traffic jams that occur daily as motorists cross the River Thames through the Dartford tunnel, east of London, may soon be a thing of the past. Within a matter of months, cars and lorries using the M25 London orbital motorway to travel from Essex to Kent will be diverted on to the first bridge to be built across the Thames for more than 50 years. Less than 180 metres of the road deck remain to be erected on the

2.8km Dartford bridge (above, beyond tunnel tolls), which is being financed and built and will be operated by the private sector. It will be the world's second-largest cable stay bridge, and will be the first built on a new site across the Thames since King Edward VIII opened three bridges in one day in 1933 at Chislewick, Twickenham and Hampton Court. It will be the first Thames toll bridge since the 1870s.

The concession to operate the Dartford bridge was awarded in 1988 to

Dartford River Crossing, 49 per cent owned by Trafalgar House, the construction, property, shipping and hotels group. Bank of America, Prudential Insurance and McIntyre Benson, the merchant bank, each have a 17 per cent stake.

The company has already taken over operation of the Dartford road tunnels under the Thames. Money from tunnel and bridge tolls will be used to repay loans. Profits will come from the construction contract

and fees for arranging loans. Tolls, at present 50p for cars and £1.20 for commercial vehicles, will be allowed to rise with the retail prices index.

Once all loans have been repaid, the bridge and tunnels will be returned to the government. Repayment must be made within 20 years. The cost of building the bridge has been estimated at £26m at 1988 prices. The cost to the company of acquiring the tunnels was 243.5m.

## Foundry industry fears cost of pollution curbs

By John Hunt, Environment Correspondent

THE GOVERNMENT has been warned that some metal foundries may have to close unless there is a relaxation in the tough new environmental pollution standards it is proposing for the industry.

Industry figures estimate that the total capital cost of introducing new pollution abatement technology and of monitoring emissions to meet the new standards in iron foundries - the biggest section of the industry - will be between £12m and £137m.

Running costs of meeting the new requirements are likely to amount to £34m a year for the iron foundries.

Mr John Parker, director of the British Foundry Association, which has 150 members, said: "Some of the proposals could be quite catastrophic and could result in a smaller industry than at present."

Mr Sam Radcliffe, director of BCIRA, the research, information and consultancy organisation for the industry, said: "It will have a grievous effect."

BCIRA - which now conducts consultancy work and was originally known as the British Cast Iron Research Organisation - estimates that the hard-pressed foundry industry is

only averaging a slender 5 per cent to 6 per cent profit and that 80 per cent of that profit could be wiped out by the cost of meeting the higher standards.

The organisation estimates that the capital cost to steel foundries of meeting the regulations will be approximately £20m to £30m. For aluminium foundries, the estimate is £12m to £15m.

The chief cause of concern is the cost of meeting higher standards for ancillary operations such as the shaping of castings. There is also considerable anxiety about the cost of monitoring emissions of fumes. A monitoring instrument can cost between £10,000 and £15,000.

Proposals for tighter regulations have been drafted in notes sent out by the Pollution Inspectorate under the new Environmental Protection Act, which introduces a strict system of integrated pollution control.

The foundries will have to apply for authorisations for the lower emission levels between October and April and the entire industry must comply with the new regime by no later than 1997.

## Falklands farmland to be sold to islands government

By Juliet Sychava

ANGLO United, the UK fuel distribution company, has agreed to sell the farmlands on the Falkland Islands that it acquired when it bought Coalite in 1989, the company announced on Saturday.

The land makes up about 27 per cent of the islands' total area and supports more than 200,000 sheep. It is owned by the Falkland Islands Company (FIC), a Coalite subsidiary.

It will be sold to the Falkland Islands government for about £5.75m in Anglo's latest asset disposal as the company sheds many peripheral businesses of Coalite.

Anglo United retains its

holding in FIC, which has trading, retail, construction, tourism, and other operations on the islands.

At the time of the Coalite acquisition, Mr David McErlain, chairman of Anglo United, said he would like to keep FIC for sentimental reasons.

Anglo United said there would be no significant gain or loss on the disposal of the land. The farms are expected to report a loss of £389,000 for the year ending March 31 1991.

FIC has agreed to reinvest £750,000 of the proceeds of the sale in capital projects on the islands.

## Northern Telecom helps bring the world to Hollywood.



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Away from Hollywood you'll also find us

playing a major role on the small screen. In France Canal +, the leading French Pay TV network, uses a Northern Telecom automatic call distribution system to welcome new subscribers.

This advanced telecommunications system handles over 150,000 calls a month, providing services to nearly 3 million existing subscribers and communications between Canal + and its nationwide network of retail distributors. It also supports telemarketing promotions and provides a reservation system for live performances.

Just two of the ways in which our advanced telecommunications products are helping people in more than 100 countries worldwide.

Can we help you?

And helps bring Hollywood to the world.

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## FT CONFERENCES

WORLD PULP & PAPER CONFERENCE  
London - 29 & 30 April

The Financial Times and the European Paper Institute are joining forces to arrange this high-level conference on the pulp and paper industry in a changing global environment.

The key issues facing the industry and the significance of strategy for success will be reviewed by industry leaders including: John Georges of International Paper; Hartwig Geginat of Feldmühle AG; Hugh Whalen of Canadian Pacific Forest Products; Desmond F. Saurat, of Jefferson Smurfit; Lionello Adler of Carriere Burgo SpA; Thomas Nysén of Fimppar; Klaus de Kleis of VRO Group; Alejandro Campbell of Alto Paraná; Takao Terasaki of C. Itoh & Co and Stephen Walls of Wiggins Teape Appleton.

TRANSPORT IN EUROPE -  
Creating the Infrastructure for the Future  
London - 28 & 29 May

The freedom of movement of passengers and freight within Europe and the challenges of creating the infrastructure to meet future growth will be the subject of the Financial Times' annual Transport conference. The enormous pressures on urban transport infrastructure and the challenges of linking transportation networks in Europe will be assessed as well as the constraints on the use of roads.

How this will affect the environment, travel and the distribution of goods will be addressed during the two days by a most distinguished panel of speakers. The Rt Hon Malcolm Rifkind QC, MP will give the opening address. M. Daniel Vincent will outline the EEC's view on creating the Community's infrastructure, and the role for railways in European communication will be reviewed by M. Michel Walrave, Secretary General at UIC. M. Bertrand Holzschach, Finance Director, Société des Autoroutes Paris-Rhin-Rhône and Mr David Stanke, Senior Adviser, Panam, Hayes & Bardet will share their views on financing private transport projects.

AEROSPACE & COMMERCIAL AVIATION IN A RAPIDLY  
CHANGING WORLD  
Paris - 11 & 12 June

An international conference to be arranged immediately prior to the Paris International Air Show.

Assumptions about the future for the industry are being reappraised in the light of events over recent months, including the economic difficulties in many countries and the effects of the war in the Gulf. The intention in holding this conference, which has the support of GEFAS and Air & Cosmos, is to bring together industry leaders to share their views on the future prospects for the industry.

Speakers will include: M. Henri Marve of Aerospatiale; Mr Richard R. Albrecht of Boeing Commercial Airplane Group; Mr Stuart Miles of Airbus Industrie; M. Louis Gohas of SNECMA; Mr Brian Rowe of GE Aircraft Engines and Dr Johann Schaffner of DASA.

The language of the conference will be English/French and simultaneous translation will be provided.

All enquiries should be addressed to: Financial Times Conference Organisation, 126, Jemyn Street, London SW1Y 4UJ. Tel: 071-925 2232 (24-hour answering service), Telex: 27347 FTCONF G, Fax: 071-925 2125.

Travel body  
leadership  
criticised  
over levies

By David Churchill,  
Leisure Industries  
Correspondent

THE LEADERSHIP of the Association of British Travel Agents, the umbrella body for Britain's travel industry, will face urgent calls at its annual general meeting this week for a new structure to be created to meet the needs of both holidaymakers and travel companies.

Abta's presiding national council will come under heavy criticism for its recent decision to impose an immediate levy on all its members and for an additional levy to be imposed in July.

These levies follow the collapse last month of a number of small school tours operators and the failure last autumn of Exchange Travel, one of the largest travel agencies.

The insurance bonds, which normally provide Abta with funds to meet the travel liabilities of its members, were inadequate or not in place in these cases and left Abta with a substantial shortfall.

When the International Leisure Group went into receivership last month, however, all holidaymakers who had booked with its charter holiday companies got refunds because the company's holiday operations - but not its scheduled airline services - were fully bonded.

Abta's agents, to be held on Thursday will bring to the fore simmering criticisms of the way in which the association has dealt with these crises and the slump in bookings during the Gulf War.

"The swimming membership levies and ridiculous level of bonding proposed for unlicensed business are indicative of the fire-fighting action that Abta's national council is being obliged to take," said Mr Noel Josephides, chairman of the Association of Independent Tour Operators (Aito). Some 60 per cent of Aito's membership are also members of Abta.

Large tour operators are also concerned at Abta's actions. "We should not be in the position of having to tell Abta members out," said Mr Howard Klein, chairman of the Owners Abroad travel group, now the second largest tour operator following ILG's collapse. "The Government has a responsibility to act as well."

Small travel agents also fear that the extra funds being demanded - they will have been levied three times in the first six months of this year - will put extra pressure on their own costs during difficult times.

Large travel agencies, such as Thomas Cook and Lunn Poly, are also against proposals made by the Abta leadership for the Government to impose a levy on consumers to pay for travel companies that go under. This levy would raise package holiday prices at a time when the recovery in demand since the Gulf war is still seen as fragile.

The Government is also reluctant to step in and impose a levy on holidays. Mr Edward Leigh, consumer affairs minister, is understood to prefer the existing voluntary financial guarantee system undertaken by Abta to continue.

## EMPLOYMENT

## Post-maternity work patterns change

By Diane Summers, Labour Staff

A STRIKING increase in the rates at which women have been returning to paid work within a few months of having a baby has been disclosed by preliminary findings of a study published today.

Nearly half of mothers who were in employment when they became pregnant now go back to work within nine months.

That is double the figure of a decade ago when only a quarter of women returned to work, according to government-funded research carried out by the Policy Studies Institute.

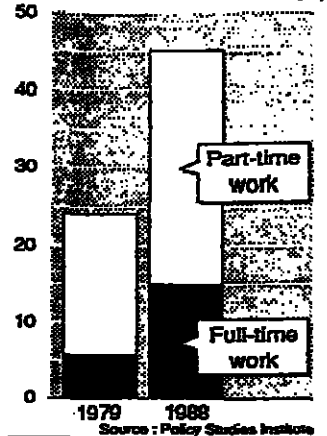
The survey of nearly 5,000 mothers and more than 500 employers is the first large-scale survey of post-maternity working for 10 years.

Full results of the study, which was funded jointly by the Departments of Employment and Social Security and the Equal Opportunities Commission, are due to be published later this year.

The trend to an early return to work has, according to the PSI report, significant implications for "roles and relationships within the family; for child care practices and the provision of child care; for fertility and population trends; and for the distribution of income as between households and families."

## Mothers at work

Within nine months of childbirth (%)



Source: Policy Studies Institute

The survey finds a sharp contrast between public and private sectors. Women employed in the public services are twice as likely to continue in paid work after the birth of a baby as women employed in the private sector.

Many more mothers are also returning to full-time jobs, according to the findings. Women in full-time employment when they become pregnant are as likely to go back to full-time as to part-time work. They are also increasingly likely to return to the same employer and to continue to do the same job after their confinement.

A decade ago, mothers who returned to work during the early child-rearing years were mainly interested in part-time working.

The report points out that the traditional move to part-time, locally based employment often resulted in a downgrading of occupational level, under-utilisation of skills and reduction in hourly pay rate.

The survey finds a sharp contrast between public and private sectors. Women employed in the public services are twice as likely to continue in paid work after the birth of a baby as women employed in the private sector.

The study says: "The private sector lags well behind the public sector in the levels of seniority at which it employs women and in the encouragement it provides for mothers to continue working."

The EOC immediately claimed that the survey added further weight to the argument that Britain should support a European Community directive on pregnancy which is due to be discussed next Monday by the Council of Ministers.

The directive proposes extending statutory employment protection to all women, regardless of length of service or working hours.

Ms Joanna Foster, EOC chairman, said that women obviously wanted to return to the same job after pregnancy and the directive would enable employers to keep a stable and experienced workforce.

*Maternity Rights: The Experience of Women and Employers, first findings.* BEBC, 9 Abchurch Lane, London EC4N 3DF. £5 including p&p.

UK safety rules could  
beat Brussels deadline

By Diane Summers

THE UK may introduce safety legislation on construction up to a year ahead of a European Community directive deadline on the issue.

The new legislation is aimed at reducing the high level of deaths and accidents on construction sites and is likely to be introduced before the end of next year, the Health and Safety Executive has said.

Serious injury rates in the building industry have risen by 10 per cent over the past two years, according to HSE figures published at the end of last year. The sector is one of the most dangerous in which to work: there are about 150 deaths and 20,000 injuries reported each year out of a workforce of about 1.5m to 1.7m.

About 90 per cent of deaths in construction could be prevented by better management, according to the HSE. The growth in sub-contracting, a diffusion of responsibility for

safety and an increase in self-employment among building workers have all been blamed for the poor record.

The new UK law, which will take in the provisions of the EC directive, will for the first time introduce a positive responsibility for architects and designers to consider safety at the earliest stages of a project.

Early European Commission proposals were described by HSE officials as "righteously bureaucratic". Current EC plans are for member states to implement the directive by the end of 1993, although it is possible that this could be brought forward by a year.

ERM effect on pay  
is strong, says CBI

By Lisa Wood, Labour Staff

BRITAIN'S membership of the European Exchange Rate Mechanism and the recession are having a strong effect on pay, according to the Confederation of British Industry.

The CBI's Pay Databank survey shows that manufacturing pay awards averaged 8.3 per cent in the first quarter compared with a revised average of 8.9 per cent in the previous quarter. This was the sharpest quarterly fall for the past four years.

Figures from the databank for service companies only refer to 1990 when settlements averaged 9.8 per cent in the second half of the year, compared with 9.0 in the first half.

The CBI said that few companies had much room for manoeuvre on prices, in home or export markets.

With the added disciplines imposed for some by the cost of servicing debt, and for all by a stabilised pound within the ERM, companies must contain labour costs effectively.

The CBI has been urging companies to decide pay settlements on the basis of individual settlements for some time.

It said in response to its latest survey that in both manufacturing and services, the average figure covered a wide range of individual settlements.

One in 10 manufacturers was telling employees that there could be no increase on the normal anniversary date. Such companies were typically delaying awards by between two and five months.

The less rapid deterioration in labour cost competitiveness was being further helped by improved productivity said the CBI. Provisional figures from the survey showed that annual productivity growth averaged 4.3 per cent for manufacturing companies settling in the first quarter, against about 3.3 per cent in the fourth quarter of last year.

Tory unease  
surfaces  
over local  
elections

By Allison Smith

THERE WERE signs of unease yesterday in the Conservative party that it will fight the local election campaign without being able to give details of the household tax which is to replace the controversial poll tax, even after the government's consultation papers are published next week.

Mr John Major, the prime minister, is to hold a series of meetings with colleagues over the next few days to finalise the documents.

Mr Chris Patten, the party chairman, said yesterday that a detailed proposal for the replacement of the poll tax - a per capita levy to fund local public services - replacement would not be brought forward until "the end of the summer".

He insisted, however, that Tory candidates in the local elections throughout England and Wales on May 2 would be able to say far more about our options for the future than either Liberal or Labour opponents.

While the government has left open the possibility of different proportions for the personal element of the charge in England, Scotland and Wales, there is pressure to avoid the political disadvantage of opting for conspicuously differing systems in different parts of the country. The new tax is likely to be based overwhelmingly on property values rather than on a personal charge.

Tory MPs admit that the timing of the review is inevitably unfortunate for the May elections. "I don't expect it to be easy on the doorstep," one junior member of the government said yesterday, "but anyone who thinks it is harder than selling the poll tax is deluding himself."

Both the opposition Labour party and the Liberal Democrats are confident that being unable to give details of the new plans will damage the Tories.

All three main parties have already begun trying to condition expectations of performances in the contest, in which more than 12,000 seats are being fought. The three week campaign will open on Wednesday.

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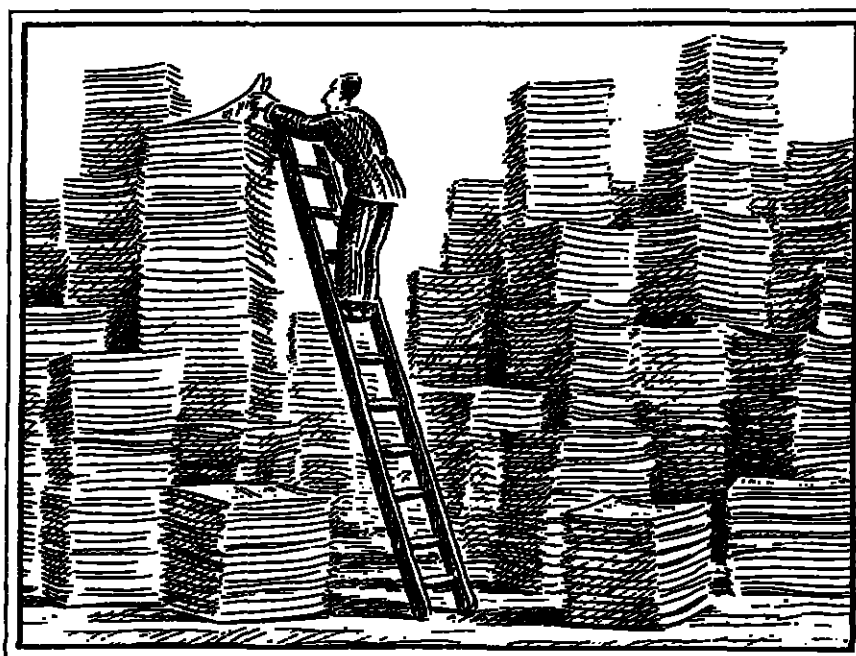
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## Notice of Redemption to the Holders of

## General Electric Company

U.S. \$300,000,000 Extendible Notes due May 1, 2006  
Redemption Date: May 1, 1991

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of Section 6 of the Fiscal and Paying Agency Agreement dated as of May 1, 1986 between General Electric Company and Citibank, N.A., the Fiscal and Paying Agent and paragraph 6(b) of the Terms and Conditions of the above-mentioned Notes (the "Notes"), the entire principal amount outstanding of the Notes will be redeemed at the close of business on May 1, 1991 (the "Redemption Date") at a redemption price equal to 100% of their principal amount (the "Redemption Price") plus accrued and unpaid interest from May 1, 1990 to the Redemption Date. Interest on the Notes shall cease to accrue from and after the Redemption Date.

Payment of the Redemption Price plus such accrued and unpaid interest will be made upon presentation and surrender of the Notes, together with all appurtenant coupons maturing on and subsequent to the Redemption Date at the offices of the paying agents as listed below. On and after the Redemption Date, the sole right of a holder shall be to receive the Redemption Price plus accrued and unpaid interest, if any, on the Notes to the Redemption Date. In the event any such unmaturing coupons fail to be presented, the amount of the missing coupons will be deducted from the Redemption Price.

## PAYING AGENTS

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336 Strand  
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Citibank, N.A.  
Neue Mainzer Strasse 40/42  
D-6000 Frankfurt/Main 1  
Germany

Citicorp Investment Bank  
(Switzerland)  
Bahnhofstrasse 63  
CH-8021 Zurich  
Switzerland

Citicorp Investment Bank  
(Luxembourg) S.A.  
16, Avenue Marie Thérèse  
Luxembourg

Citibank, N.A.  
Citicenter  
19 Le Parvis  
La Defense 7  
Paris, France

Citibank, N.A.  
Herengracht 545/549  
Amsterdam  
The Netherlands

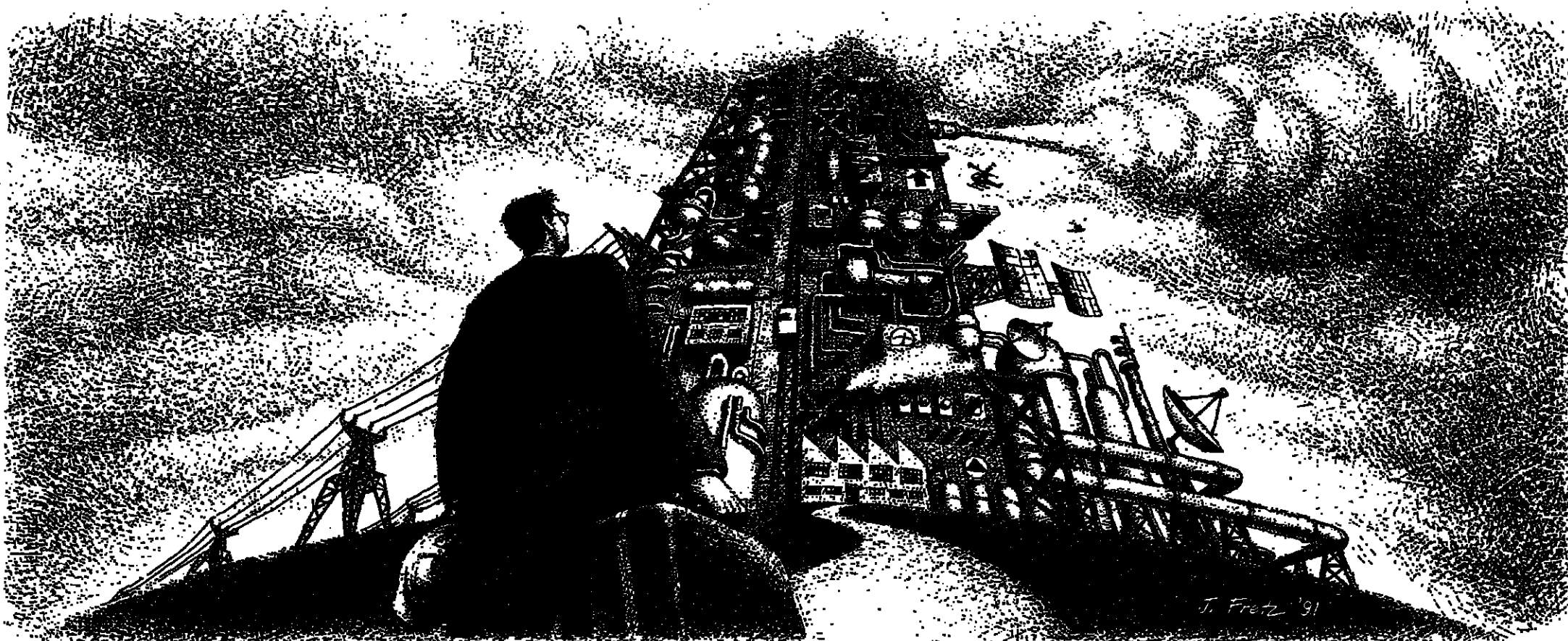
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Avenue de Tervuren, 249  
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Belgium

GENERAL ELECTRIC COMPANY



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you just can't fix by phone; certain times when there's just no substitute for being there. ♦♦ To see firsthand the nature of the problem. To prevent a delay from becoming a disaster. To insure that it's indeed business as usual. ♦♦ For those whose job is taking care of business, customer service is more than fixing something that's gone wrong. It's making sure things keep going right. ♦♦ After all, who's likely to

know more about how a product is performing in the field? About how it stacks up against the competition? About what customers want in refinement and development? ♦♦ In a day and age when companies fight for even the smallest of market shares, service people need to be on the road, not just on the phone. Because chances are if you're not out there seeing your customers, your competition is.

SOMETIMES THERE'S NO SUBSTITUTE FOR BEING THERE.

BOEING

## COMPANY NOTICES

**EXCHANGE NOTICE TO HOLDERS OF BEARER SHARES OF GLOBAL NATURAL RESOURCES PLC**

Pursuant to a Scheme of Arrangement dated May 17, 1983, as amended, the outstanding bearer shares ("Bearer Shares") of Global Natural Resources PLC were cancelled. Certificates for Bearer Shares may be exchanged (a) until July 29, 1993, on a share-for-share basis for shares in registered form of Global Natural Resources Inc., a New Jersey corporation ("Global U.S.") or (b) at any time for cash, Global U.S. shares are traded on the American Stock Exchange.

Bearer Shares do not represent Global U.S. shares and are not entitled to receive dividends, notice of meetings, vote or otherwise participate in the affairs of Global - U.S. At March 1, 1991 each Bearer Share was entitled to \$6.53 cash.

Certificates for Bearer Shares may be exchanged at the election of the holder for Global U.S. shares or cash by delivery of a completed Form of Application, together with certificates for Bearer Shares, to the Exchange Agent named below. Forms of Application, together with the Trust Deed Implementing the Scheme of Arrangement and Supplemental Deeds varying the Scheme of Arrangement, may be obtained from:

Exchange Agent:  
Register & Transfer Company  
Attn: Exchange Department, 10 Commerce Drive  
Cranford, New Jersey 07016, USA  
or from:  
Hambros Bank Ltd.  
Attn: Stock Counter, 41 Town Hill  
London, England EC3N 4HA

On April 8, 1991, Global U.S. mailed to its shareholders Notice of the Annual Meeting of Shareholders to be held at the Ritz-Carlton, 1919 Ritz-Carlton Lane, Houston, Texas, on May 8, 1991 at 9.00 a.m. together with related proxy material.

## LEGAL NOTICES

## CROW VALLEY TYRES LIMITED

Registered number: 002948  
Nature of business: Motor Vehicle Repair & Tyre Fitting  
Date of appointment of joint administrative receivers: 22 March 1991  
Name of person appointing the administrative receivers: Lloyd Bank Plc  
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART  
Joint Administrative Receivers  
(office holder nos 058 and 288) of Cork, Gully, Churchill House,  
Churchill Way,  
Cardiff CF1 4XQ.

## MOTOR VEHICLE LIMITED

Registered number: 002948  
Nature of business: Motor Vehicle Repair & Tyre Fitting  
Date of appointment of joint administrative receivers: 22 March 1991  
Name of person appointing the administrative receivers: Lloyd Bank Plc  
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART  
Joint Administrative Receivers  
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## CANADIAN PACIFIC LIMITED

(Incorporated in Canada)

## TORONTO GREY &amp; BRUCE RAILWAY COMPANY

Copies of the Balance Sheet of the above Company as at December 31, 1990 are available and may be obtained from this office during normal business hours.

D.A. VEST  
Deputy Secretary

62-65 Trafalgar Square,  
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April 2, 1991.

## CLUBS

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## THE COMPUTER INDUSTRY

The FT proposes to publish this survey on 22nd April 1991. It will be of particular interest to the 18.1% of all UK businesses who make decisions concerning the purchase of Computer Systems, who are regular FT readers. If you want to reach this important audience, call Andy Barrons on 071 873 3201 or fax 071 873 3062.

## FT SURVEYS

## APPOINTMENTS

## Promotion at insurance company

**LONDON & EDINBURGH INSURANCE GROUP** has appointed Mr Bill Stanway as deputy group managing director, personal lines division and is on the board of London & Edinburgh Insurance Group.

Mr David Brothwood becomes managing director, personal lines division. He was deputy managing director, personal lines division.

Mr George Goodair has been appointed chief counsel of OMI's London operation. He was formerly a director of Occidental Petroleum (California) in Aberdeen.

Four senior appointments have been made at NORTH WEST WATER. Mr Robert Armstrong, personnel director, is promoted to group personnel director. Mr Michael Dyer, operations director, becomes group technical director and Mr John Monaghan, employee relations manager, moves up to personnel director. Mr Clive Elphick joins the group from Touche Ross as financial controller.

Mr John Daniel and Mr Robert Randolph have been appointed directors of MATHESON SECURITIES.

Mr Charles Cook has been promoted to managing director of GRANDFIELD ROKK COLLINS.

Mr Pat Howes (pictured) has been appointed a main board director of SECURITY SERVICES. He was chief executive of the parcels division.

Mr Andrew Elliott-Frey has been made finance director at WINDSOR CABLE TELEVISION. He joins from British Satellite Broadcasting where he was group financial controller.

The following directors have been appointed to the board of LANCASTER HILTON DALTON. Mr Jeremy Hebblewhite is appointed chairman and Mr Hugh Lancaster has become managing director. Mr Guy Croft, Mr Tony Hilton, and Mr Stephen Dalton are executive directors. Lancaster Hilton Dalton are independent investment managers.

Dr David Harrison, vice chancellor of Exeter University, has been elected president of THE INSTITUTION OF CHEMICAL ENGINEERS.

Mr Joe Palmer has become a non-executive director of NATIONAL POWER. He is group chief executive of the Legal & General Group and chairman of the Association of British Insurers.

Mr Richard Danby, a director, has been appointed managing director of agricultural electronics specialists RDS TECHNOLOGY following the move of founder Mr Jim Brown to chairman.

ASW-CUBIC STRUCTURES, the Coventry-based manufacturer and supplier of structural steel space frame systems, has expanded its senior management. Mr John Woodger, formerly operations director at RDL, has been appointed managing director. Mr Michael Elms, previously senior project manager at RDL, becomes general manager of the dedicated fabrication plant at Burton-upon-Trent. Mr Ken Thompson has been made technical director. His main responsibility will be the development of CAD design procedures.

Mr Charles Cook has been promoted to managing director of GRANDFIELD ROKK COLLINS.

Mr Allen Shepherd, chairman and group chief executive of Grand Metropolitan, has been appointed chairman of the BRITISH-AMERICAN CHAMBER OF COMMERCE's international advisory board. He succeeds Professor Roland Smith, chairman of British Aerospace, whose three-year term as chairman began in April 1988.

Mr David Rebo has been appointed assistant general manager (personnel) at FRIENDS PROVIDENT. He was human resource development manager.

## CONSTRUCTION CONTRACTS



## Major River Tees bridge development

**CEMENTATION CONSTRUCTION**, a member of the construction division of Trafalgar House, has been awarded a £3m contract by the Teesside Development Corporation for the construction of the Tees Bridge (pictured) at Thornaby-on-Tees, Cleveland.

The 100 metre bridge, which will cross the River Tees to link the new Teesside development at Thornaby-on-Tees with Stockton town centre, will be a composite structure with a concrete slab on steel girders supported by two piers and two abutments. Steel bearing piles, constructed in navigable tidal waters, will carry the piers.

Sister company Cleveland Structural Engineering is fabricating the 330 tonnes of steel needed for the project.

## Marks &amp; Spencer in Cardiff

The P&O company BOVIS CONSTRUCTION has been awarded two contracts with a total value in excess of £14m to build and fit out two stores for Marks & Spencer. At Culverhouse Cross in Cardiff, Bovis has started work on the design of an £11m store which will provide 65,000 sq ft of sales area for clothing and food. The store will also include a 14,000 sq ft store room and goods reception area together with a further 10,000 sq ft of staff quarters and office facilities.

The steel-framed building is designed to offer the maximum sales area with the minimum of structural interference. This is achieved by using unusually long steel trusses, to create clear spans of 27 metres across the sales area, which will have only four columns, through the 65,000 sq ft area. The external facade will feature brickwork capped by a slatted mansard feature around the entire building. The grounds surrounding the store will be fully landscaped and about 1,000 car parking spaces will be provided.

Work will start on site in June and completion is scheduled for Easter 1992. In Moorstown, Leeds, Bovis has started work on a £3m management contract to build and fit out a 12,000 sq ft food store. Other facilities to be built include a 4,000 sq ft stockroom, new offices and staff quarters. The project, which is scheduled for completion by autumn 1991, also involves the construction of 215 car park spaces.

## £10m road projects for Balfour Beatty

Motorway and trunk road contracts totalling more than £10m have been awarded to BALFOUR BEATTY CIVIL ENGINEERING. The company has secured maintenance contract number six to be carried out between junctions four and five on the M20 motorway. The £2.05m contract was awarded by Kent County Council, acting on behalf of the Department of Transport.

The work involves carrying out repairs to the concrete carriageway, partial reconstruction of 8km of the hard shoulder and various other works. A second contract awarded by Kent County Council is the £1.15m scheme to build the second Littlebrook Bridge over the A282 (M25) trunk road south of the Toll Plaza at the Dartford Tunnel. The three-span continuous pre-tensioned overbridge, together with ancillary works on the immediate approaches to the bridge deck, is being erected over the Dartford Southern Approach Road - a project currently being carried out by Balfour Beatty under a separate contract.

Balfour Beatty Civil Engineering has commenced work on the £2.65m A6 Burton Latimer bypass and Black Lodge improvement contract for the Department of Transport. The site, located adjacent to the company's M1-A1 contract at Kettering, involves a 3km single-carriageway bypass to the east of the village of Burton Latimer and the upgrading of a further 1km section on the A6 trunk road, north of the village of Linsdon.

A second bypass contract has been secured from Northampton County Council. The £4.4m project is for the A422 Middleton Cheney bypass and a 1.6km dual-carriageway link from the M40 to a roundabout to the west of the village.

External repairs and decorating at numbers 5-25 Scrutton Street for Chequerboard are also under way and a further contract for BP International has been won for work on its premises in Ropemaker Street.

For the London Borough of Tower Hamlets a project on its professional development centre in English Street involving both internal and external repairs has begun with completion anticipated shortly.

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**Costain Dow Mac**  
PRECAST CONCRETE

## Mixed batch for Mansell

Further contracts, totalling in excess of £10m, have been awarded to MANSELL covering new construction, design and build, refurbishment and fitting out.

In South London phase 2 of Clarence Yard for London and Quadrant Housing is under way. With a contract value of about £4m completion is scheduled for July 1992. The work involves the erection of three-storey dwellings consisting of 32 houses and 24 flats.

Wandsworth Health Authority has awarded a project concerning the conversion of a nurses home at Springfields Hospital into a doctor's practice, contract value £900,000.

Lewisham and North Southwark Health Authority has awarded a contract concerning alterations and modifications to the accident and emergency ward at Guy's Hospital, contract value about £276,000.

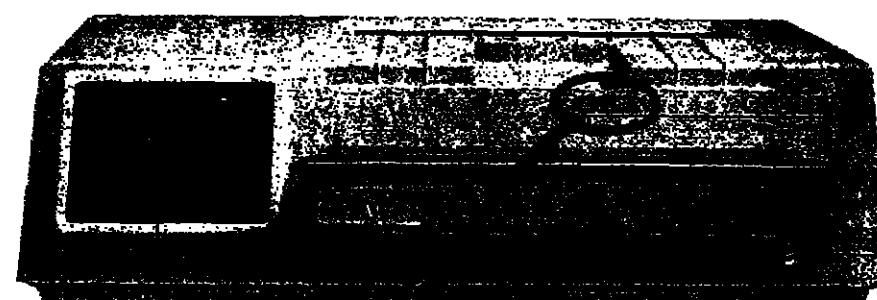
In North London construction has commenced on the St Columba radio station and 60 metre guyed mast - contract valued in excess of £210,000; work has commenced for the Department of Health on the government buildings at Cannon Park and, for the London Borough of Haringey, improvement and modification works at both Oakfield and Twyford House have commenced with a value of about £1.5m.

In East London a refurbishment project of a banking facility has been awarded by UBS Phillips and Drew, contract value £682,000, with works to be completed in July.

External repairs and decorating at numbers 5-25 Scrutton Street for Chequerboard are also under way and a further contract for BP International has been won for work on its premises in Ropemaker Street.

For the London Borough of Tower Hamlets a project on its professional development centre in English Street involving both internal and external repairs has begun with completion anticipated shortly.

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## Labour to brief Japan on economic policies

By Daniel Green

MR JOHN SMITH, shadow chancellor of the exchequer, will tell industry leaders in Japan on Thursday that a Labour government would encourage increased investment from Japan.

The statement, the Japanese hear, Mr Smith will make at a meeting of the Japanese Association of Economists in London, and will also be made at a meeting of the Japanese Association of Economists in London, and will also be made at a meeting of the Japanese Association of Economists in London.

The statement, the Japanese hear, Mr Smith will make at a meeting of the Japanese Association of Economists in London, and will also be made at a meeting of the Japanese Association of Economists in London.

## NEWS IN BRIEF

### Non-taxpayers are failing to register

MANY non-taxpayers have failed to register with the local authorities, according to a survey by the Inland Revenue. The survey found that only 10 per cent of non-taxpayers had registered, compared with 90 per cent of taxpayers.

### Housing market

THE UK housing market is expected to remain weak in the second half of 1991, according to a survey by the Inland Revenue. The survey found that only 10 per cent of non-taxpayers had registered, compared with 90 per cent of taxpayers.

### Gilts issue

THE UK government is expected to issue a new series of gilts in the second half of 1991, according to a survey by the Inland Revenue. The survey found that only 10 per cent of non-taxpayers had registered, compared with 90 per cent of taxpayers.

### ing intact

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## MANAGEMENT

# Hewlett-Packard finds a strategy in its pragmatism

Christopher Lorenz examines the confusing twists and turns since the electronics company announced its decision last summer to move its personal computers HQ from California to France

When Hewlett-Packard announced last August that it was moving the international headquarters of its personal computer group to the French Alps from its traditional seat near HP's corporate head office in Silicon Valley, the French press understood it as a sign of the company's commitment to the European market. "Grenoble, HP's world micro capital," one newspaper trumpeted, a theme echoed by headlines in Le Figaro and several other publications. Speculation was rife in Silicon Valley and in France, that between 10 and two dozen senior management jobs would be relocated.

But such hopes were dashed by the announcement, just before Easter, of the details of the organisational restructuring. Only two PC group jobs, its head and the financial controller, are being relocated to Grenoble; both will be held by Frenchmen. Four group jobs will remain in California, although one of them will be held by a Frenchman who is moving from Grenoble.

To some observers, especially in Europe, the outcome may smack of eleventh-hour American reluctance to release the reins as far as had been intended last summer. Such criticism may be reinforced by a decision, announced last Thursday, which introduces a new layer of US co-ordination above the PC group and four other equivalent entities (for laserjet printers and other hard- and software products) which together constitute HP's "Computer Products Organisation". The fact that Grenoble has in no way been singled out for this treatment — the other four groups are all based in the US — is unlikely to lessen French disappointment.

HP insiders in Silicon Valley concede that the degree of strategy behind last summer's decision was exaggerated at the time, both within parts of HP and outside. They say that it began as an opportunistic way of replacing the former PC group head (who had defected suddenly to Apple) with the

best available candidate, the Grenoble-based Jacques Clay, a 43-year old HP veteran.

Initial expectations may have been disappointed by the announcements of the past ten days, but the fact that the relocation is occurring at all means that HP is still launching itself — however tentatively and however confusingly — upon a difficult organisational balancing act. It is one which few companies anywhere have yet attempted, but which will need to become common practice if the full promise of "transnationalism" — concepts which are currently preoccupying many international companies — is to be achieved.

To do so, they will need to disperse their head offices across the globe, instead of sticking to the old convention of locating them in one place. Clay defines the PC group's "headquarters" as including not only himself and his financial controller colleague in Grenoble, plus the four executives in California, but also one each in Singapore and Mexico.

Clay owed his position as prime candidate for his new post to his record since 1988 of making HP's Grenoble-based European PC operation far more successful than its American counterpart. This is most obviously true in marketing. HP's US market share in personal computers in 1990 was barely 2 per cent and falling, compared with a rise to 5 per cent in Europe; over 80 per cent of the company's PC revenues, which were worth more than \$1bn in 1990, according to industry sources, have been achieved outside the US, with Europe by far the main contributor. Much of this success is also credited to Bernard Meric, the executive who is now moving to California to assume global responsibility for the PC group's marketing.

The US side has also been less effective in managing product design and development. "My worry today, the worry of HP's top management, is how to make the engineers in California more efficient," Clay says. "They felt one way of doing that would be to take more responsibility." The reasons why only two jobs are being transferred to Grenoble and Meric is not remaining there, contrary to initial expectations, is partly to do with a set of more general steps that HP is taking throughout the corporation to resolve its marketing and organisational problems in the US (see this page, March 22).

Within the PC group itself, a drastic simplification of the previous organisational structure has enabled Clay to reduce the total number of group management jobs — regardless of their location. First, three US-based divisions within the group have been rolled into one. Second, the PC group, which for several years had been managed on a unitary basis worldwide under the guidance of executives in Silicon Valley, is being decentralised under separate general managers into four relatively specialised divisions, three with global responsibilities and one (in Mexico) dealing with the manufacture of products for Latin America.

The two main divisions, in California and Grenoble, will focus respectively on "high-end" PC products (using advanced Intel processors), and "mainstream PC products" (with higher sales volumes). The third division, in Singapore, will focus on keyboards and other input devices. Clay is adamant that the rearrangement was his own idea. He admits that he did have to go out of his way in the months after last summer's relocation announcement to allay concern, especially among American dealers, that the move to Grenoble would shift attention away from the US market, and that he would be an "absentee landlord". He has since spent at least half his time in America each month — albeit at the cost of working a 12-hour day six days a week whenever he is there.

But he denies that his splitting of the organisation to create a fully-fledged US-based division, as well as the operation in Grenoble, was influenced by American resistance after the original relocation decision, either from PC dealers or from within HP.

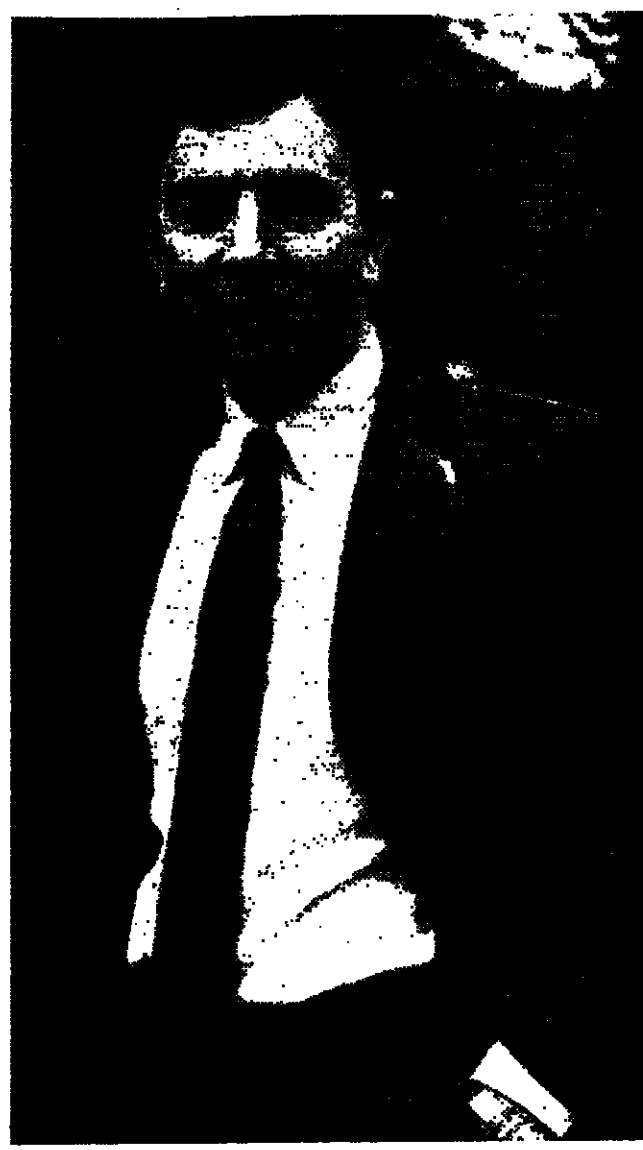
Instead, Clay describes the group's latest organisation as "a return to the decentralised way HP used to be managed". The structure which he has replaced was too complex to take rapid decisions and too top-heavy to be cost effective, he says; his success in Europe was achieved by circumventing much of that bureaucracy. "There was a heavy group superstructure above the product, manufacturing and marketing structure, with a matrix which created a lot of confusion," says Clay. "What this organisation was trying to do was centralise everything."

Marketing units around the world, for example, had dual reporting lines. "Anytime someone wanted to do something, it had to go through two people and two levels of management. Sometimes a manager had difficulty deciding which of four people he should go to."

"What we're doing now," says Clay, "is going back to two things that have been very successful within HP: decentralised divisional responsibility, and 'co-location' of development, manufacturing and marketing."

Hence the splitting of the previous unitary business into manageable divisions, with a leaner "group" management umbrella above them, in the form of Clay himself and four global executives: for finance, marketing, quality and manufacturing.

The diplomatic Frenchman is reluctant to concede that his immediate US bosses have influenced his decisions. The man to whom he reported when last August's decisions were taken, Lew Platt, is seen within HP as being more interested in results than in how



Jacques Clay: half of each month spent in the US

they are achieved. But his successor, Dick Hackborn, "is a very process-oriented person in terms of management", says Clay. "Dick would more likely go for the type of structure we are introducing, whereas Lew was probably more open to different alternatives."

Clay admits that this, plus the current level of concern over his group's performance in the US market, means that Hackborn will be more involved in the PC business than his predecessor — whether directly, or through the newly-appointed co-ordinator below him. Clay denies that Hackborn, head of the Computer Products Organisation, influenced the transfer from Grenoble to the US of Bernard Meric.

Instead, Clay says Meric's move was decided partly for personal reasons, and partly because of local market requirements. "I've spent the last seven weeks away from Grenoble, so I decided to have someone based in the US who could help me out by meeting customers," he explained after Easter. "Otherwise I'd be travelling even more, and killing myself — as well as ruining my family life." From now on, Clay hopes to be able to revert to spending "only" two weeks out of four in the US.

Why not go the whole hog, and reduce the strain of constant travel by moving himself and his family back to California, where they lived from 1987 to 1988? Locating such a senior manager thousands of miles away from most of his key lieutenants may constitute avant-garde organisational practice, but could also prove far from ideal. Yet a return to Silicon Valley would vitiate the notion of transnationalism.

Clay responds to such doubts by emphasising that "at this level of management, borders are not very important. We have to travel anyway, and meet wherever is necessary".

All the same, back in January, when the new structure was not yet fully decided and approved — he was still preoccupied with streamlining the

## Pioneers in geographic dispersal

Although Hewlett-Packard has decided not to shift to France the whole headquarters of its personal computer group — just the top job plus one other — the move still makes it one of the first American multinationals in any industry to transfer key HQ functions within a major business to a location outside the US.

In heralding the reconfiguration last summer, HP beat IBM by just four months to membership of a select band of pioneering large companies which academics and consultants call "transnationals" — with the sort of organisational structure that they expect to become the norm over the next 20 years.

In such companies the "global localisation" of manufacturing and research and development activities (at which HP has excelled for years) is reinforced by geographical dispersal of head office decision-making, particularly at divisional level. The group already included Unilever, Procter & Gamble, Ericsson, NCR, Nestlé, Electrolux and ABB; IBM joined it in December with its decision to shift the entire headquarters of its \$10bn communications systems division, one of its six "lines of business" from New York to England during the course of 1991. The move will involve relocating about 120 jobs.

Given the fact that HP's decision to transfer only part of its PC headquarters from the US to France is contrary to the more dramatic declaration of intent it gave last August, with hindsight it would have been better at the time if HP had been able to be as clear as IBM about the number of jobs transfers that would be involved; all it did was try to dampen some of the wilder French speculation (see main article).

But it would certainly have been sensible for it to have warned everyone that a "transnational" structure can be much more flexible geographically than conventional ones: specifically (IBM's subsequent move notwithstanding), that not all the main decision-makers in a business need any longer to be located in the same place.

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## THE WEEK AHEAD

## ECONOMICS

## Inflation takes another bow

INFLATION, still the government's economic enemy number one, will dominate the financial debate next week.

The Retail Price Index, released on Friday, is almost certain to show a drop in the headline rate of annual inflation, because the rise in mortgage interest rates in March last year drops out of the calculation. This accounts for 0.5 per cent of the inflation figure, and has little relevance to the on-going economy.

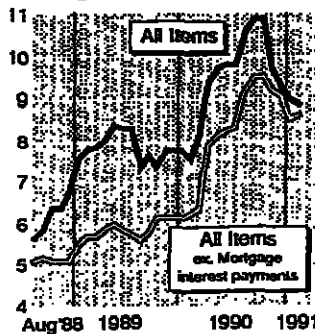
The consensus of market opinion, according to MMS International, the financial research group, is that the headline year-on-year rate in March will drop to 8.4 per cent, leaving the underlying rate, excluding mortgages and community charge bills, unchanged. In February the headline rate was 8.9 per cent.

It is this underlying rate which most bothers economists, and the signs here are contradictory. Several factors, such as the Confederation of British Industry's most recent survey, suggest that demand is still dampened, bringing with it lower inflation and the scope for further cuts in interest rates.

However, the strong dollar of the last month, making American imports more expensive, and March's petrol price rise, will have the opposite effect. The release today of final retail sales figures for February will provide evidence on underlying inflationary pressure. Provisional figures from

## RPI

% change over previous year



the Central Statistical Office last month suggested, to the surprise of many, that retail sales volume increased by 1 per cent in February.

Last Thursday, the CSO revised this, and said sales volume remained flat through the month. Market forecasts, before the revision was announced, centred on a one per cent rise for the final figure, so the revision lessens perceived pressures on inflation. Similar worries preoccupy the US, still digesting last week's announcement of the highest unemployment level for four years - significantly worse than expected. Despite this figure, the US economy is still grappling with inflation - prices rose 0.7 per cent last month after food and energy were excluded.

The impact of unemployment on unit labour costs, and the effect of the strong dollar

on import prices, must have done something to hold down inflation, in the view of many analysts. Consensus is that Friday's consumer price index will show a rise of only 0.3 per cent for the month of March.

A sheaf of data on Thursday, including retail sales and producer prices, should give some forewarning for the inflation figure.

Other significant figures expected this week (with consensus estimates in brackets) include: Today: UK, February credit business figures (£100m, from £80m in January).

Tomorrow: US, February housing completions. Japan, February private machinery orders. Canada, March housing starts.

Wednesday: US governor of the Federal Reserve testifies before House on impact of banking reform proposals. Thursday: US, March producer price index (flat), March retail sales (up 0.2 per cent), March money supply figures. Japan, March customs cleared trade balance (\$8.7bn). Australia, March unemployment (8.9 per cent).

Friday: US, March real earnings, February business inventories (flat). Spain consumer price index. During the week: Germany, March trade balance (DM2.0bn), March current account (minus DM1.0bn), March retail sales (7 per cent year on year), March wholesale price index (0.2 per cent).

John Authors

## RESULTS DUE

PUBLISHING, banking and industrial group Pearson is today expected to unveil a significant drop in pre-tax profit for the year to December 1990 compared with 1989.

Analysts are now looking for a pre-tax profit of around £200m pre-tax. At one time estimates were heading towards £300m.

Pearson has been hit by the advertising recession, poor book sales and harder times for merchant banks such as Lazard. The strength of sterling has also affected US earnings.

Results today from MB-Caradon, the conglomerate which includes building products, security printing and has CMB Packaging, the French-run packaging group, as an associate, are expected to show pre-tax profits just short of £100m.

This compares with £80.1m made in the previous nine months, suggesting little in the way of real growth, which is not surprising given the difficulties in the building industry.

Thanks to the disposal of its Grattan mail order business for £165m, Next, the fashion retailing company, will at least survive. But shareholders are likely to hear little other good news when the company reports its annual results on Wednesday.

Next has already estimated that it has made a pre-tax loss of £40m in the year to January 31. After exceptional provisions and write-downs, total losses are expected to amount to £222m.

Shareholders will want to know where Next is now heading and what the prospects are for the slimmed-down company. The cynics will probably content themselves by calculating how much of Next's generous provisions can be released in future years to flatter profits.

Smiths Industries, the aerospace, medical and industrial group, is expected to produce an interim pre-tax profit figure close to last year's £50m when it reports on Wednesday.

With half its business in the US, the comparative weakness of the dollar could knock £5m off translated profits. However, the £115m held in the bank last August will have provided a nice stream of interest. The question is: what will Smiths do with this war chest, especially as it faces the challenge of building up its non-military work?

## UK COMPANIES

## TODAY

COMPANY MEETINGS: Cowie (T), Cowie Interleasing North, Hydon Road, Sunderland, 12.00.

TR Pacific Inv. Trust, Mermaid House, 2, Puddle Dock, E.C., 12.45.

BOARD MEETINGS: Finales: Chepstow Racecourse Eurobunnet Fortnum & Mason Gowring ISA Int. MB-Caradon Metsec North British Canadian Inv.

Pearson Severfield-Reeve Sykes-Pickavant United Friendly Insee. Interline: Highland Distilleries Magnetic Materials

TOMORROW COMPANY MEETINGS: Crest Nicholson, Runnymede Hotel, Windsor Road, Egham, Surrey, 12.00.

Crest, Palace Hotel, Douglas, Isle of Man, 11.00.

## Foreign &amp; Colonial Inv.

Trust, Skinner's Hall, 8, Dowgate Hill, E.C., 12.00.

Heywood Williams, Fort Hotel, Clifton Village, Brighouse, West Yorkshire, 11.45.

Kleen-E-Ze, NSP House, 211, Lower Richmond Road, Richmond, Surrey, 10.00.

St. Modwen Props., Ironmongers' Hall, Barbican, E.C., 12.00.

BOARD MEETINGS: Finales: Alexandra Workwear Blockleys Bossey & Hawkes Bostrom Bourne End Props. City Centre Restaurants Erith Fairhaven Int. McWilliam (John) Richards Savoy Hotel Sherwood Computer Thompson Clive Invs. Tudor UK Land Surrey, 12.00.

Shandwick Stanhope Props. Wardle Stores

## Wescol

Wescol WYKO 1.4p

WEDNESDAY APRIL 10 COMPANY MEETINGS: Hewitt (J) (Fenton), Stakis Grand Hotel, Trinity Street, Hanley, Stoke-on-Trent, 10.30.

INCCO, St. Clements House, 2-16, Colegate, Norwich, Norfolk, 10.15.

London Forfailing, International House, 1, St. Katherine's Way, E., 12.00.

Sarco, The Brewery, Chiswell Street, E.C., 10.45.

Smaller Companies Inv. Trust, Miniver House, 19/20, Garlick Hill, E.C., 12.30.

BOARD MEETINGS: Finales: Bilton (Percy) Strabart Resources Cairn Energy Dagenham Motors FBD Haden MacLellan Herring Son & Daw House of Lerose New Nurdin & Pascock Ocean Group Proudfoot (Alexander)

## Queens Moat Houses

RMC Sharwood Group Sindle (William) Stylo Wace

Interline: Smiths Industries TIP Europe

THURSDAY APRIL 11 COMPANY MEETINGS: English & Scottish Investors, Garmore House, 18-18, Monument Street, E.C., 12.00.

McAlpine (Alfred), Chester International Hotel, Trinity Street, Chester, 12.15.

Press Centre, 76, Shoe Lane, E.C., 12.00.

Parvair, Watermen's Hall, 18, St. Mary at Hill, E.C., 12.00.

Sedgwick, Sedgwick Centre, E., 12.00.

Wyevalde Garden Centre, Kings Acre, Hendford, 10.30.

BOARD MEETINGS: Finales: Bilton (J) Bodycote Int'l.

## Fitch RS

Hampden Homocore Lamont Lawrence (Walter) McLaughlin & Harvey Malaysia Medeva Micro Focus Pittard Garnar

Interline: AB Electronic Products Barry Wehmiller Int'l. Dowding & Mills

FRIDAY APRIL 12 COMPANY MEETINGS: Chioffain, Gosforth Park Hotel, Newcastle upon Tyne, 11.30.

Hunterprint, 15, Saxon Way East, Oakley Hay Industrial Park, Corby, Northants, 10.00.

BOARD MEETINGS: Finales: Associated Farmers Dinkie Heel F & C Pacific Inv. Trust Scottish Horitable Trust Wembley

Company meetings are annual general meetings unless otherwise stated

## DIVIDEND &amp; INTEREST PAYMENTS

## TODAY

Abbey National Flt Rate Nts 1993 £251.53

Ashleed 1.1p Avesco (Reg) 0.5p Do. (Br) 0.5p Baldwin 1.4p Banks (Sidney C) 12.35p

British Assets Tst 1p Brunner Int Tst 2.5p Bunnings Inv. 6.5p Carlton Comm 8.55p

Commonwealth Bank of Australia Puttable Adj Rate Nts 1992 AS153.75

Countryside Props 2.7p Cowie (T) 2.5p Croston (James) 0.75p

Dale Electric Int'l. 2p Dalepak Foods 1.2p Domino Printing Sci. 3.45p

Eurocopy 2.9p First Leisure 3.5p Firth (G M) 1p Fleming Amer Inv Tst 1.25p

Fleming Fledgling Inv 2.5p Fyffes 0.742p GWR 3p

Gardiner 0.75p Gibbs Mew 3p Goodhead 0.5p Grand Metropolitan 12.8p

Hawtin 0.825p Hill & Smith 3.75p Holmes & Marchant 3.3p

Jacques Vert 4p Jones, Stroud 3p Kershaw (A) 45p Do. B Prt. 1.98875p Kleinwort Charter Inv Tst 3.8p

London Int'l. 3p Lomro 11p MML 1p

Macarthy 7.5p Marshalls 1.25p Matthew Clark 5.75p

Mervier-Swain 2.2p Microgen 4.8p Moorfield Estates 1.2p

Mountheigh 1.25p Osprey Computers. 1.35p PWS 2.2p

Photo-Me Int'l. 1.2p Porter Chadburn 0.8p Prospect Inds. 0.1p

Rank Org. 20.75p Ransom (William) 0.525p River & Merc Tst 4.54p

Starting Publishing 1.5p Sutherland 0.5p TACE 7.75p

Trust of Property Shares 1.364p Warnford Invs. 2.5p

Whitegate Leisure 0.3p Willoughby's Consolidated 1p Do. Ptd. 1p

## Hill &amp; Smith 3.75p

Holmes & Marchant 3.3p

Jacques Vert 4p Jones, Stroud 3p Kershaw (A) 45p

Do. B Prt. 1.98875p Kleinwort Charter Inv Tst 3.8p

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Whitegate Leisure 0.3p Willoughby's Consolidated 1p Do. Ptd. 1p

## Witan Inv. 2.5p

Wyko 1.4p

TOMORROW Acatos & Hutcheson 1.75p

Assoc. Brit. Consultants 2.2p Barbour Index 2.2p

Bradford & Bingley Bldg. Soc. Flt Rate Nts 1998 £346.75

Bradstock 6.5p Bucknall Austin 1.3p

Davenport Brew. 4pc Deb 2.001pc Enterprise Oil Flt Rate Nts £79032.88

Eurotherm Int'l. 4.55p Fairway (London) 2p Heath (Samuel) 1.5p

Rentokil 2.24p Torax Hire 0.8p Union Bank of Finland Var Rate Sub Nts 2000 \$203.13

WEDNESDAY APRIL 10 Acatos 0.75p

Bradford & Bingley Bldg. Soc. Flt Rate Nts 1997 £346.41

Britannia Bldg. Soc. Flt Rate Nts 1993 £348.29

Castle Cairn Inv. 0.7p English & Caledonian

## Inv. 1p

Foreign & Col Inv Tst 1.9p

Garmore Emerging Pacific Inv Tst 0.1p Hewlett-Packard 12.5c

M & G Far East & Gen Fd 0.7p Morris (Philip) 43c

Nationwide Anglia Bldg. Soc. Flt Rate Nts 1995 £172.60

Sanwa Australia Flt/Fixed Rate Gtd Nts 1997 \$4259.31

Stakis 1.8p Treat 2.25p

THURSDAY APRIL 11 Cantors 1p

Do. A 1p Central Bank for Econ. Integn. Flt Rate Ser Nts 1994 \$122.88

Continental Assets Tst 0.7p Conversion 10pc 2002 4pc

Grahams Rintoul Inv Tst 1.5p Hongkong & Shanghai Banking Flt Rate Nts 3rd Ser \$96.09

Islington 12.65pc Red 2007 £325pc National Australia Bank Sub Flt Rate Nts

Inv. 1p Foreign & Col Inv Tst 1.9p

Garmore Emerging Pacific Inv Tst 0.1p Hewlett-Packard 12.5c

M & G Far East & Gen Fd 0.7p Morris (Philip) 43c

Nationwide Anglia Bldg. Soc. Flt Rate Nts 1995 £172.60

Sanwa Australia Flt/Fixed Rate Gtd Nts 1997 \$4259.31

Stakis 1.8p Treat 2.25p

THURSDAY APRIL 11 Cantors 1p

Do. A 1p Central Bank for Econ. Integn. Flt Rate Ser Nts 1994 \$122.88

Continental Assets Tst 0.7p Conversion 10pc 2002 4pc

Grahams Rintoul Inv Tst 1.5p Hongkong & Shanghai Banking Flt Rate Nts 3rd Ser \$96.09

Islington 12.65pc Red 2007 £325pc National Australia Bank Sub Flt Rate Nts

Inv. 1p Foreign & Col Inv Tst 1.9p

Garmore Emerging Pacific Inv Tst 0.1p Hewlett-Packard 12.5c

M & G Far East & Gen Fd 0.7p Morris (Philip) 43c

Nationwide Anglia Bldg. Soc. Flt Rate Nts 1995 £172.60

Sanwa Australia Flt/Fixed Rate Gtd Nts 1997 \$4259.31

Stakis 1.8p Treat 2.25p

## \$421.51

Tomkins 2.8p Yorkshire Chemicals 9p

FRIDAY APRIL 12 BZW Conv. Inv Tst 1.5p

Coletex & Fowler 1.3p Courts (Furnishers) 1.83p

Fletcher Challenge 11.5c

Heywood Williams 8p Ireland 12 1/2pc Ln 2008 (Br) 6.25pc

Do. (Reg) 6.25pc Lease Wise 2.25p London Forfailing 4.625p

Motorola 19c

Portvir 2p

SATURDAY APRIL 13 Treasury 8pc Ln 1992 4pc

Treasury 8pc Ln 2008 4.5pc

SUNDAY APRIL 14 Australia (Commonwealth of) 9 1/2pc Ln 2012 4.75pc

## CARDIFF

The FT proposes to publish this survey on 13th May 1991.

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## FT SURVEYS

## FT

## FINANCIAL TIMES CONFERENCES

## EUROPEAN SECURITIES MARKETS

22 & 23 April, 1991 - London

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The International Stock Exchange London

**Mr Richard A Grasso**  
Executive Vice Chairman  
President & Chief Operating Officer  
The New York Stock Exchange

**Mr Geoffrey E Fitchew**  
Director General, DG XV  
Commission of the European Communities

**Mr Patrick Gifford**  
Director  
Robert Fleming Holdings Limited

**Mr Tjerk E Westerterp**  
General Director  
The European Options Exchange in Amsterdam

**Mr Jean-François Théodore**  
Chairman & Chief Executive Officer  
Société des Bourses Françaises  
(Paris Bourse)

**Dr Rüdiger von Rosen**  
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Federation of the German Stock Exchanges

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## EUROPEAN SECURITIES MARKETS

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Type of Business \_\_\_\_\_

## TRADE FAIRS, EXHIBITIONS &amp; CONFERENCES

## CONFERENCES

## APRIL 11-12

**Euro-Labour Markets: The Prospects for Integration.**  
International Convention Centre, Birmingham. International conference for business, Government, trade unions and researchers on the impact of the internal market on employment & labour markets in the EC. Contact: Caroline Lambert, SCOTEC Research and Consulting Ltd. Tel: 021 616 1010 Fax: 021 616 1099

## BIRMINGHAM

## APRIL 16

**INVESTOR RELATIONS FOR RECESSION AND RECOVERY**  
Annual conference of the Investor Relations Society, on company shareholder relations. Morning Hotel. Speakers include Sir Ron Davies, Sir Peter Thompson and Dr Marjorie Mowlem MR. £240 + VAT (non-IRS members). Contact: Jacques Lee at PCTS. Tel: 071 284 0470 Fax: 071 485 1005

## LONDON

## APRIL 17

**Eastern European Information.**  
A



## ARCHITECTURE

## Alexander the 'Greek'

The work of Alexander Thomson in Glasgow is due for a timely revival of interest, says Colin Amery

Glasgow is very famous for one architect in particular: everyone knows the angular geometry of Charles Rennie Mackintosh (1868-1928). His popularity has reached the town status - he was a star of Glasgow's year as European City of Culture - and over exposure has somewhat dimmed his brilliance.

But there is another architect of equal brilliance and influence whose time has come. Alexander Thomson (1817-78) the Victorian architect, always known as Alexander "Greek" Thomson, is due for a timely revival. Tomorrow, on the anniversary of his birth, a new society is to be launched in Glasgow dedicated to ensuring that his architectural legacy is protected and his talent cherished and appreciated.

"Uniquely in Europe, Alexander Thomson brought abstraction into play in urban architecture, creating a style which gave drama to his churches and public buildings, an intensity of feeling to his tenement blocks, and a romantic eclecticism to his suburban villas." These words by Sir John Summerson sum up the importance of Thomson today. He was not an architect who merely carried on the Greek Revival, he was rightly considered to be an original architectural thinker. His interest was in architectural form, and his achievements were not confined to a purely Greek style. As Sir Reginald Blomfield wrote about Thomson in 1904: "While most of his contemporaries were scratching about in the rubbish heaps of medieval detail, Thomson was soaring aloft in the spacious solitude of pure architecture... where Thomson was strong, with a strength sometimes amounting to genius, was in his mastery of abstract form."

You would think that an architect like Thomson, clearly as inspired and as good as Schinkel or Von Klenze, would have been the hero of modern architects in this century with their much vaunted interest in "pure form". The tragedy is that Thomson's buildings have suffered from the hands of demolition gangs and from a neglect that seems perverse alongside the almost hysterical admiration of Mackintosh. But there is a lesson in all this. It is only 20 years ago that three major buildings by Mackintosh were threatened and the great turn around in support for Mackintosh has grown out of the foundation in 1973 of the Charles Rennie Mackintosh Society. Perhaps the new Thomson Society will help to save and repair the remaining heritage of his architecture as well as enhancing his academic reputation. (A public lecture is to be held on April 9, at his splendid church at 265 St Vincent Street, Glasgow, to launch the new pressure group.)

The finest sight of Thomson's architecture is perhaps the view of the campanile of the former Caledonia Road United Presbyterian Church that you can glimpse from the curve of the railway from London as it crosses the Clyde and glides into Glasgow Central. But despite its grave and majestic Italianate beauty that church is a terrible ruin. When you walk up to this wonder among the cruel tower blocks of the Gorbals its spire gives on to a shell that is open to the sky.

There is some hope for this tragic ruin. The Scottish Development Agency are planning new housing in the Gorbals near the church, which will be designed by Piers Gough, and the Caledonia Road church may become some kind of Gorbals Institute. Curiously the city council's estate department not so long ago

granted a lease of 60 years to a restaurateur to turn the ruin into a commercial restaurant.

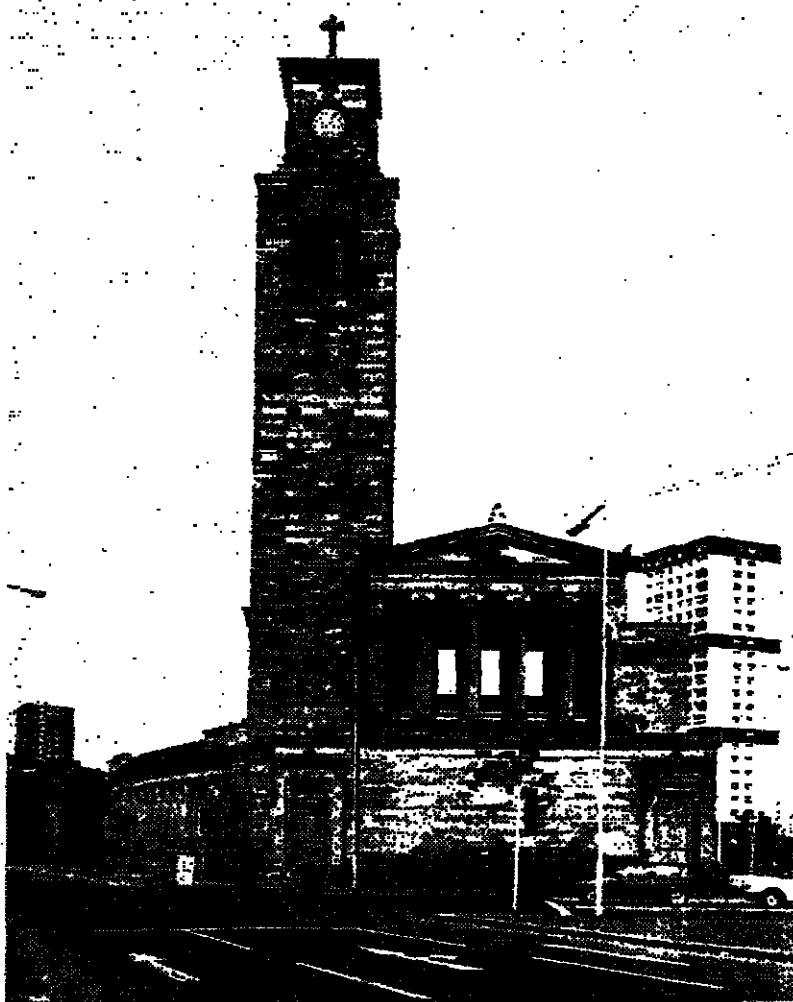
The marvellous St Vincent Church is also owned by the city council but leased to the Free Church congregation. The church looks after the interior but the council neglects the exterior and tries every now and then to evict the congregation by refusing to renew their lease. Not an ideal or steady situation for the maintenance of an historic building. St Vincent sits on a great wedge of wonderful granite that deals with the steeply sloping site, and there have been plans to put some profitable use in this basement so that the financial position of the church could be improved. There is no Redundant Churches Fund in Scotland and so the difficulty of saving important urban ecclesiastical architectural masterpieces is almost an impossible one.

Thomson was more than churches. He refined the traditional tenement and enhanced the city's commercial architecture. He also built fine villas and terraces. Arguably his greatest commercial building, Egyptian Halls in Union Street, is owned by the proprietor of a Chinese restaurant but is sadly neglected. With its columned facade and remarkable cornice it is one of Thomson's best constructed buildings. There is talk of a Compulsory Purchase Order being served on it.

Other Thomson treasures are his domestic terraces - some of them as fine as any neo-classical terrace in Europe. These are not always in the most desirable parts of the city but they need well-heeled and sympathetic owners.

While one must applaud any effort to save this great European heritage of Thomson's work - is a Society the

## ARTS



'Soaring aloft in the spacious solitude of pure architecture': Alexander Thomson's Caledonia Road Church

only way to do it? I would have thought that it could well be timely to establish an Alexander Thomson Property Company which would enter the property market and buy his buildings with a rolling fund. The restored Egyptian Halls should be a fine, commercial high rent building

and recording studio or leisure use would be suitable for parts of the two churches. Other historic buildings trusts have bought and repaired buildings - Scottish commercial acumen is needed now as well as a revival of aesthetic appreciation of the great "Greek".

## SPONSORSHIP

## Lottery loses out

One of the greatest lobbying coups of recent years was the nobbling of the Chancellor of the Exchequer, Mr Norman Lamont, a few days before the Budget by Littlewoods Pools. It managed to ditch plans for a national lottery which would have decimated its income (but would have substantially helped the arts) in favour of a "Foundation" with about £60m a year to be spread between sport and the arts.

The "Foundation" will cost the pools companies - and mainly Littlewoods - £40m in direct contributions, but they regard this as a small price to pay for seeing off, however temporarily, a national lottery. Mr Tim Renton, minister for the arts, was caught unaware by the Foundation, which he dismissed as a "lollipop".

Its form and function remain a mystery. Negotiations are underway between the pools companies and the Treasury about the details and there is a chance that it will be in operation by the start of the new season in August. This sports bias suggests that the arts, which hope to get half the money, are likely to be disappointed. So far no arts organisations have been involved in the discussions. The Arts Council would like the Foundation to act as a building fund, making good the loss of its Housing the Arts budget. Arts companies facing extinction, like London City Ballet and Second Stride, would like it to cut a dash by handing out cash now. At the moment it looks like a cynical move by the pools promoters to safeguard their interests, with the arts tacked on as a sweetener to persuade the chancellor.

Whatever emerges it makes Mr Peter Moore, whose family runs Littlewoods, a rival to the Sainsburys as a benefactor, both willing and unwilling, of the arts. Through his personal Foundation he has given nearly £4m to the arts, mainly opera and modern art. Earlier this year he handed over a £1m cheque towards the Royal Liverpool Philharmonic's £5m capital fund appeal. Now, through his company, he has a chance to play the patron on an even greater scale.

It looks as if another private backer of the arts, John Hughes, has had enough. For years he pumped literally millions into London City Ballet, of which he was chairman. The classical ballet company toured the nation, and the world, to popular, if not always critical, acclaim. But it never managed to gain regular funding from the Arts Council.

It is probably the most successful arts organisation in the UK in attracting sponsors, this year contributing £200,000, almost half its revenue, the rest coming from the box office. But this example of commercial rectitude is giving up in June unless it shames the Arts Council, or the arts minister, into acknowledging its role in the national dance scene by giving it a subsidy, at least £500,000 to enable it to fulfil its ambitions.

It must be almost unprecedented for a solvent company to stop working, but John Hughes and his board see little point in struggling on alone. At the moment the minister is sheltering behind the arm's-length principle and the Arts Council is turning a deaf ear. This infuriates sponsors, who feel that they are carrying all the burden. They hold to the government line that the arts in the UK should be dual funded - by public subsidy and sponsorship - and they feel that the government is backsliding.

Some sponsors, notably BP, are suggesting that LCB's commercial backers should chip in the necessary cash. After all, Barclays Bank is waiting to become a major £100,000-plus sponsor from June. This would solve the immediate problem but not the long-term stalemate. Unless Mr Renton applies pressure on the Arts Council a competent dance company, which has brought pleasure to millions, will suddenly disappear.

On one of the arts which until recently avoided, for good or ill, contact with sponsors was the public libraries. This is changing. The arts minister is encouraging libraries to develop alternative sources of funding rather than rely solely on cash-strapped local authorities and this is introducing libraries to corporate sponsors.

To date most of the deals have been with interested parties. The Birmingham-based Peters Library Service, distributors of books, is putting up £40,000 over three years to help publicise the Carnegie and Greenaway Medals. These have been awarded, respectively since 1935 and 1955 to annually acknowledge achievement in the writing and illustration, of books for children, but because the organisers of the awards, the Library Association, has lacked funds, their effect has been minimal. The association has accepted sponsorship money which will be used to promote the medals - and the books.

In addition, Southern Arts has launched a scheme, "Well Worth Reading", which publishes good contemporary fiction in libraries. Once again the retail book trade, notably Penguin, Waterstones, Sherratt & Hughes and library suppliers like Barnicoats and Wessex Book Supplies, have been happy to invest a collective £10,000 to pay for the literature to promote the books.

BP has come up with the £20,000 needed to match £20,000 from the British Council to enable the National Theatre to tour its successful production of *Troilus*, with an Asian cast, to Spain, Ireland and Turkey in the next two months. It could be the start of an international BP arts sponsorship programme.

A first time sponsor in the UK is Air Canada which has made possible *The True North*, the first major show of the Group of Seven, the Canadian landscape artists of the early 20th century, in London - at the Barbican Art Gallery from April 19.

The Barbican Gallery has just launched a drive for corporate friends, with the usual benefits for employees and for company entertaining. Another institution to go out boldly for corporate sponsors is the Crafts Council, which is in the process of moving to a grand early 19th century building, a converted chapel, in Islington. Founder Friends get a generous package of benefits for £1,500.

Home Brewery, part of Scottish & Newcastle, has become an important first time sponsor. It is putting £50,000 behind its local theatre, the Nottingham Playhouse, which will allow it to return to a repertory system.

The RSC has returned to - thanks to sponsors. During the four-month break designers DEG W3 have given the theatre a new identity - at cost. It also persuaded 13 of its suppliers to provide sponsorship in kind.

Antony Thorncroft

## Boris Godunov

## COVENT GARDEN

The 1983 Royal Opera *Boris*, single opera production by the late film-maker Andrei Tarkovsky, returns to the house. The giant bell and pendulum swing with austere elegance in the great central arch. A single theatrical space integrates palace and inn, monastery and public square, past gulits and present struggles. The agonies of Russia at a turning point in its history are caught with poetic economy and cinematic truthfulness. Indeed, the topicality of "Boris" - a messy masterpiece (filled with lines like "the Russian people cry for bread" and "the boyars plan rebellions, there are conspiracies in Lithuania") has never seemed more pressing.

The staging has been, for the most part, wisely cast, and (by Irina Brown) carefully revived. In an ideal world the dances of Act 4 would be executed with snapper precision, the chorus would know their Russian words without prompting, and the choral tone would be less raggedly thin in the Prologue. ("Come out," says the surtitle, "Don't spare your voices!") In spite of these flaws, the opera sweeps off the stage, out of the pit, and into the lives of its audience in the gripping, reverberating way that indicates above all the presence of a master conductor in the house.

Gennady Rozhdestvensky conducted the same opera here (in its Rimsky-Korsakov re-scoring) 21 years ago. No-one who heard the performance can have forgotten it: the mystery is why the Royal Opera then took so



Paata Burchuladze: a force of untamed nature as Boris long to invite him back (especially since the Royal Ballet had memorable *Nutcrackers* from him in the 1980s).

Now he brings to the original Musorgsky scoring the same gift for theatrical animation, the same sense of dramatic import and lustre of sound - and the gain is infinitely greater.

The orchestra play their hearts out for this conductor; the beauty of the accompaniments to the

nursery songs in Act 2 was hardly less heart-stopping than the great shivers and spasms of the clock scene later on. Nothing is flatter than an original *Boris* delivered with dull worthiness; conversely, few things are more alive than an original *Boris* charged with dramatic meaning.

Paata Burchuladze, bull-like, a force of untamed nature in both physique and huge, raw bass, gives his first *Boris* there is not much of the "interior" feeling, the psychological insight, that distinguishes his predecessor Robert Lloyd in the role: this is theatrical thunder and lightning, thrilling on its own terms, and equally if the wind, bird call, rain, movement, become mysteriously one, and we are caught up in the serenities and watchful tensions of the wild. Superb performance from the cast, with Darshan Singh Bhuller intensely attuned to the imag-

Four members of the home team are particularly to be admired for their disciplined, finely sung characterisations: Robert Tear an incomparably elegant, menacing Shuisky, Stafford Dean (in superb voice) a slythly Ramon, Gwynne Howell nobler than ever as Pimen, David Wilson-Johnson a trenchant hellknight, Paolo Kudryavchenko a loud, sometimes stirring Pretender, Eva Randova a skilful if not exactly sensual Marina. Because of Rozhdestvensky - and, of course, Tarkovsky - the sum is, as it should be, greater than its parts.

Max Loppert

## Ten For One

## THE PLACE

London Contemporary Dance Theatre is paying tribute to Robin Howard by presenting a season of ten dance works - some old, some new - that reflect the extraordinary vision, determination and generosity of its founding father. The setting is, of course, The Place, where LCDT put down its roots, and the first programme on Friday night was, very rightly, introduced by Robert Cohan, whose affectionate memories of Howard and Martha Graham were especially poignant in the week that was shadowed by the news of Graham's death.

Cohan's *Forest* began the evening. It remains a dazzling exercise in anthropomorphism, as the life of the forest and its creatures shapes the choreography. Wind, bird call, rain, movement, become mysteriously one, and we are caught up in the serenities and watchful tensions of the wild. Superb performance from the cast, with Darshan Singh Bhuller intensely attuned to the imag-

native world of Cohan's beautiful dances.

The presence of Martha Graham's 1930 solo *Lamentation* on this evening was touching and poignantly right, with Joyce Herring a welcome guest from the Graham company to dance it. But the movement now looks more costive than anguished, as the seated dancer strains inside a mauve fabric tube, registering pain that seems intestinal as much as emotional. It is a period piece whose time has passed.

Jonathan Lunn - who has devised this season - represents the third generation of LCDT creators, and his *Hang Up* of 1987 is a duet concerning two lovers, their infidelities charted in a dialogue by Anthony Minghella. Suspicion, frustration are the matter of rest and the families early in the piece. But it is essentially vampiric, an endurance test that feeds on its interpreters so that they look drained and foolish.

To represent the new influ-

ences that Howard encouraged, the evening ends with *Ritual* by the Israeli choreographers Lital Dror and Nir Ben Gal. Vital though novelty may be, this offering is a sore trial to the spirit. The four men and three women of the cast are garbed alike in hideous charcoal frocks and chunky boots, while musicians who are to play part of the Shostakovich piano quintet are seated at the back of the dance area. The choreography is a temper tantrum, furiously energetic in its rushes, flying falls and stampings; neurotic in bullying and maltreating the dancers, nagging obsessively at the idea of exhaustion as style. LCDT's artists knock themselves out in the service of such brutalities, the admirable Kenneth Thorpe even managing to extract a few jolts from the box office. But this example of commercial rectitude is giving up in June unless it shames the Arts Council, or the arts minister, into acknowledging its role in the national dance scene by giving it a subsidy, at least £500,000 to enable it to fulfil its ambitions.

It must be almost unprecedented for a solvent company to stop working, but John Hughes and his board see little point in struggling on alone. At the moment the minister is sheltering behind the arm's-length principle and the Arts Council is turning a deaf ear. This infuriates sponsors, who feel that they are carrying all the burden. They hold to the government line that the arts in the UK should be dual funded - by public subsidy and sponsorship - and they feel that the government is backsliding.

Clement Crisp

## Gloria Estefan

## WEMBLEY ARENA

The rise, and rise, of Gloria Estefan to her status as the current pop sensation is something of a mystery. Based in Florida she grew out of the Miami Sound Machine, an expatriate Cuban band which had some success in the mid '80s. Her solo career has been punctuated by a few hits, but she did not really touch the collective nerve until she broke her last year in a coach accident last year.

This has brought her the sympathy vote which is currently packing Wembley.

The biggest legacy of her growing fame has been to push Ms Estefan away from her roots and into the great middle ground. Once billed as the "Queen of Latin Pop" she has been diluted by her ethnic rhythms in favour of an all-American stadia rock show which owes much to Madonna.

She is at her best when she takes to her stool for the ballad sequence, slipping in Spanish songs to pad out her big numbers.

Anyone anticipating a hot night in old Havana got instead a decorous homogenised home entertainment. Best to wait for another visit from the real tabasco - Celia Cruz.

Antony Thorncroft

## INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

## BERLIN

Staatstheater unter den Linden Mozart's *Der Schauspieldirektor*. Travostore. Wed: Spartacus. Sat: Tannhauser. Sun: Les Contes d'Hoffmann (2004 782)

Deutsche Oper Giuseppe Sinopoli conducts Graham Vick's new production of *Otello* with Vladimir Atlantov in title role and Julia Varady as Desdemona, also Fri. Tomorrow: *Der fliegende Holländer*. Wed: I Puritani (3410 248)

Philharmonie Kammermusik Daniel Barenboim conducts Berlin Philharmonic Orchestra in music by Berg and Schoenberg. Tomorrow: Peter Kuschling conducts music by Kurt Weill and Ernest Toch. Thurs to Sun: Gidon Kremer is violin soloist with Berlin Philharmonic (2614 363)

Theatre This week's repertory includes *Mother Courage* and *The Threepenny Opera* at the Berliner Ensemble (2627 712); Ionesco's

The Bald Prima Donna, Behan's *Ghosts* at the Deutsches Theater (2871 225); Chekhov's *Three Sisters* at the Maxim Gorki Theater (2082 748); and Schiller's *The Robbers* and Moliere's *Le malade imaginaire* at the Volksbühne (2082 748); in the western part of the city the Schaubühne (890023) is presenting Kleist's *Amphytrion* and Luc Bondy's production of *The Winter's Tale*; while the Schiller Theater (3195 236) has Schiller's *The Robbers* and Goethe's *Faust*

## BOLOGNA

Teatro Comunale The Wallace Collection plays brass music by Gabrieli, Frescobaldi, Monteverdi and others. Wed and Sat: Rossini's *Mosè*. Fri: Julliard Quartet (529959)

## BRUSSELS

Palais des Beaux Arts Neville Marriner conducts Academy of St Martin-in-the-Fields in programme including Stravinsky's *Firebird*, Nicholas Maw's *Spring Music* and Ravel's left hand concerto with Andrei Gavrilov. Fri: Belgian National Orchestra. Ravel and Shostakovich (507 8200)

## CHICAGO

Orchestra Hall. Georg Solti conducts concert performance of Verdi's *Otello*. Repeated Fri. Wed and Thurs: Solti conducts Michael Tippett's new work *Byzantium*, with Jesse Norman soloist (435 6666)

## GENEVA

Grand Theatre Last performance of Kurt Wilhelm's production of *Intermezzo* conducted by Jeffrey Tate, with Inga Nielsen as Christine (212311). Fri in Victoria Hall: Armin Jordan conducts Haydn's *The Seasons* (292511)

## LONDON

Musée Covent Garden 19.00 Stephen Barlow conducts concert performance of *Die Zauberkolben*. Tomorrow, Thurs and Sat: Gennadi Rozhdestvensky conducts Tarkovsky production of Boris Godunov (240 1065)

Purcell Room 20.00 Capricorn ensemble plays programme of 20th century Italian music (928 8800)

South Bank, this week, concerts include Walter Welles conducting the Philharmonia (tomorrow), Ivan Fischer conducting Beethoven with the Orchestra of the Age of Enlightenment (Wed), Andrew Davis conducting Hugh Wood's *Symphony* (Thurs), Alexander Gibson and the RPO (Fri), Simon Rattle conducting Pelles at Melisande (Fri) and a Brahms trio programme with Ashkenazy, Perlman and Harrel (Sat)

Dance Queen Elizabeth Hall 19.45 Stephen Petronio Company, also tomorrow (928 8800)

Theatre This week's shows include Carmen Jones, Oscar Hammerstein's *State-inspired musical set in the US in Second World War*, directed by Simon Callow (Old Vic), English Shakespeare Company productions of *Coriolanus* and *The Winter's Tale* directed by Michael Bogdanov

(Aldwych), Ian McKellen as Richard III (National) and White Chameleon, Christopher Hampton's new play about a young boy growing up in Egypt in the 1950s (National). Phone Theatreline: Plays 0838 430959 Musicals 0838 430960 Comedies 0838 430961 Thrillers 0838 430962

## NEW YORK

Musée Carnegie Hall 20.00 Alfred Brendel plays Haydn, Schumann and Beethoven. Wed: recital by Alicia de Larrocha. Fri: Placido Domingo sings in a Carnegie Hall gala benefit concert (247 7800)

Metropolitan Opera 20.00 James Levine conducts La Clemenza di Tito with a cast led by Roberto Alexander and Tallara Troyanos, also Thurs. Tomorrow: Tosca with Teresa Stratas and Neil Shicoff. Wed and Sat: I Puritani. Fri: Luisa Miller (362 8000)

## Theatre

This week's shows include *A Room of One's Own*, with Eileen Atkins starring as Virginia Woolf in an adaptation by Patrick Garland of her book calling on women to declare their independence, talent and freedom to control their own destinies (Lamb's Theatre). The Maids, all-male production of Jean Genet's modern classic about two sisters try to escape their lowly position in life through a deadly game of make-believe (House of Candles), the comedian Jackie Mason's one-man show (Neil Simon) and Candide, G. S. Shaw's play about a suburban London mayor who must choose between her husband and an 18-year old poet (Playhouse 91). Ticketron 246

0102) answers inquiries and sells tickets

## PARIS

Musée TNP-Chatelet 19.00 Elena Bashkova and the Quartet of the Berlin Philharmonie play quartets and quintets by Mozart, Brahms and Schmittke. Thurs: Brahms piano trios with Vladimir Ashkenazy, Lynn Harrell and Itzhak Perlman. Sat: chamber music by Faure and Poulenc (4028 2940)

Salle Pleyel 20.30 Jon Martin conducts Ensemble Orchestral de Paris in all-Mozart programme, with June Anderson soloist in *Exultate jubilate*, also tomorrow (4581 0830). Wed and Thurs: Stanislaw Skrowaczewski conducts *Orchestra de Paris*, with Augustin Dumay soloist in Berg's *Violin Concerto* (4583 0799)

Opera Bastille 20.30 Members of the Opera orchestra play chamber music by Mozart and Beethoven (4001 1616)

Other events this week include Robert Carren's production of *Manon Lescaut*, opening tomorrow at the Opera Bastille and running all May 4 (4001 1616); a *Nijinska/Nijinsky* programme performed by the Opera Ballet every evening this week from tomorrow at the Palais Garnier (4742 5371); a 17th century musical entertainment by Favart and Duni opening on Fri at the Opera Comique (4288 8883); and a concert by the Orchestre National de France conducted by Jeffrey Tate on Fri at the Theatre des Champs-Elysees (4720 3637)

## Theatre

This week's repertory includes Strindberg's *The Father* and Gildas Bourdais' production of *Le Malade imaginaire* at the Comedie Francaise (4366 4360); and The Duchess of Malfi directed by Matthias Langhoff at the Theatre de la Ville (4274 2277)

Vienna Staatsoper 19.00 Peter Schneider conducts *Die Zauberkolben*, with Sylvia McNair as Pamina and Robert Gambill as Tamino. Tomorrow: Der Rosenkavalier with Gwyneth Jones as the Marschallin. Wed: Cav and Pag. Thurs: Václav Neumann conducts *Jenufa*. Fri: Ariadne auf Naxos. Sun: Lohengrin (51444 2980)

## VIENNA

Volksoper 19.00 Millocker's *Der Bettelstudent*. Tomorrow: Kalman's *Gräfin Mariza*. Wed: My Fair Lady. Thurs: Merry Widow. Fri: Die Fledermaus (51444 3518)

Musikverein 19.30 Heinz Wallberg conducts Tonkünstler Orchestra in music by Beethoven and Brahms. Tomorrow: Schubert Trio plays piano trios by Haydn, Smetana and Urbaner. Thurs: Arts Quartet. Fri, Sat and Sun: George Cleve conducts Vienna Symphony Orchestra (505 8190)

Konzerthaus Mozart-Saal 19.30 Vienna Chamber Orchestra plays music by Janacek, Hradin and Schoenberg. Wed: piano recital by Ingrid Haebler. Thurs: Angel Romero, guitar, and Kuchl Quartet play music by Boccherini and Castelnuovo-Tedesco (7124 6860)

## Theatre

Konzerthaus Schubert-Saal 19.30 Klangforum Wien presents new music programme, include works by Beethoven and Helmut Lachenmann. Tomorrow: Violin recital by Gerhard Schulz (7124 6860)

## European Cable and Satellite Business TV

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1000-0130 Moneyline Superchannel 0700-0630 Financial Times Business Report

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## SATURDAY

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# FINANCIAL TIMES

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Monday April 8 1991

## Dilemmas of dirigisme

THE FRENCH government last week executed a sidestep over industrial policy worthy of Philippe Segou, the famous rugby union centre. On Wednesday it announced plans to pump FF60bn into Grouper Bull, the state-owned loss-making computer company, and Thomson, the struggling defence and consumer electronics combine.

That re-assertion of socialist interventionism was followed on Friday by an apparently liberal decree to allow private shareholders to own up to 49 per cent of state-owned companies.

This pragmatic mixture of interventionism and liberalism is in line with the "neither/nor" policy of President Mitterrand, ruling out further nationalisation or privatisation. This pragmatism has meant that the interventionist state has turned Thomson and Rhone-Poulenc into sizeable world-class companies but has been accompanied by a relaxation of price controls and capital movements, tougher competition policy and much reduced credit subsidies for small and medium-sized enterprises. The balancing act was all very well during years of growth in the mid-1980s. But with faltering growth and European integration, the French government will have to make some choices.

### Two commitments

It has to reconcile its defence of French industry with its commitment to a European single market. If the French government is concerned about the future of European electronics, Brussels is the proper place for policy to be forged. An open market in cars and computers, steel and chemicals will bring with it pressure for rationalisation, as the most efficient drive out the least efficient. If the French government stands in the way of restructuring, with subsidies to chronic loss makers, it will make European competitors and the European economy weaker.

The second dilemma is financial. High ambitions to protect state-owned producers from the slowdown in European economies have to be reconciled with the means available. The French government cannot afford to pump huge sums into supposedly

strategic industries of the future, such as electronics, as well as into traditional industries, such as cars. The relaxation of limits on private shareholdings is a tacit recognition that the state will not be able to provide all the capital that publicly-owned groups will need.

### First principles

It would, however, be a tragedy if the French played rugby like the English. So too, it would be unrealistic and unreasonable to expect even the younger, more liberal generation of French policy makers to become full-blooded Anglo-Saxon, privatising free marketeers. The appropriate and achievable task is to put publicly-owned groups on a more commercial footing. The following principles apply.

First, the government should distinguish between sectors where state subsidy might be justified, such as defence electronics, and industries such as steel and cars, where it is not. This point implies that the privatisation agenda is not yet by any means complete, especially in steel and chemicals.

Next comes the question of economic nationalism: anti-Japanese sentiment is simply self-defeating. There is no sense in merging Bull with another loss-making European computer group, just for the sake of Europeanism. A deal with NEC of Japan, a company upon which Bull is already dependent for technology, would make a lot more sense than further subsidies.

Finally, more progress is needed in separating ownership from management. That is already the case at companies such as Elf, the state-owned oil group, but it should be extended to the likes of France Telecom.

If subsidies are still to be awarded, their scale and purpose should be made transparent. The French government needs, in any case, to limit its ambitions, since it is playing dirigisme in one country, even of the pragmatic Mitterrandist variety, with a weak hand. This old interventionist game is increasingly unacceptable for a core member of an ever more integrated European Community.

## Hard talks on Hong Kong

THE outcome of the talks in Peking between Mr Douglas Hurd, the foreign secretary, and Chinese leaders is disturbing, in spite of official claims that differences between the two sides have narrowed. The continuing disagreement over the financing of Hong Kong's huge port and airport project does not augur well either for the economic climate in the colony or for Anglo-Chinese relations in the run-up to 1997, when Britain will hand its sovereignty over Hong Kong to China.

The Joint Declaration of 1984, which provided for the transfer of sovereignty, while guaranteeing Hong Kong the status of a Special Administrative Region and the maintenance of its capitalist system for 50 years, was widely considered to be exemplary at the time. It appeared to ensure the ending of a colonial regime, while allowing Hong Kong to maintain its remarkable position as an international financial and trading centre.

It has always been clear, however, that the noisy view of Hong Kong's future as part of a novel arrangement known as "one country and two systems" would depend on the good will of the Chinese government. Britain took a gamble that the reformist path on which Peking had embarked would continue and that the gap between the two systems would gradually narrow.

### Tragic error

This hopeful forecast of developments in China has since been proved tragically wrong, at least in the short term. The brutal suppression of the pro-democracy demonstrations in Tiananmen Square in the summer of 1989 brought the honeymoon between China and the west to an abrupt end. Britain's desire to dampen its relations with Peking in the absence of signs that China was adopting more liberal human rights policies, coupled with China's fears that Hong Kong was becoming a hotbed of subversion, have stalled for nearly two years bilateral discussions on problems relating to the handover of the colony.

The disagreement over the airport project, which has become the biggest obstacle to a resumption of a constructive

dialogue, is partly economic. Underlying all the arguments, however, is the basic political question of who rules Hong Kong in the period leading to the handover of the colony in six years' time.

The British and the Hong Kong governments see the huge \$2bn scheme as a way of bolstering the economy and of bolstering sagging confidence in the colony during the transitional years, and the period immediately after the handover. They have always insisted that London and Hong Kong must retain the right to take decisions during the transitional period.

### Significant concession

The Chinese, however, maintain that the proposed high proportion of public funding for the project risks running down Hong Kong's reserves to a dangerously low level and weakens the colony's ability to ensure a substantial sum to ensure this does not happen. Above all, it wants its opinions to be taken into consideration on issues affecting Hong Kong's long-term future.

Mr Hurd's significant concession to take account of China's views on important matters straddling 1997 - was carefully worded to convey the message that such consultations did not give Peking a right of veto. Whether the Chinese authorities will see it this way is another matter.

The fact is that arguments over the financing of the new airport have already delayed major tenders from potential participants and commitments by banks and other private financial institutions, even without the exercise of a formal veto by China.

Further postponements of the project for political reasons might permanently frighten off private capital, originally intended to finance up to 50 per cent of the project, and could even lead to its complete cancellation.

Before trying to push Britain and Hong Kong too far along the road of joint control with China over the colony's affairs before 1997, Peking would do well to consider carefully the adverse consequences for Hong Kong's future economic prosperity.

Tonight EC leaders hold a mini-summit in Luxembourg on the aftermath of the Gulf war. Since they all agree on letting the US take the lead in Middle East peace-making, the main item on their menu will be an overdue top-level discussion on the war's consequences for European Community political union.

For the remaking of the EC is getting out of hand. The 13 architects - the dozen member governments and the Brussels-based European Commission - are still so busy showering each other with blueprints on how they hope to achieve political union that they are making little further progress on their original design, an economic and monetary union (Emu).

There is another reason why the outcome of the inter-governmental conference (IGC) on Emu has to wait upon the upshot of the negotiations on political union: because Chancellor Helmut Kohl says so. The leader of Europe's premier monetary power has repeated, with ever-increasing force, that he will not replace the D-Mark with the Ecu in German pockets until and unless he gets a more democratic and solid European roof to put over the newly-enlarged German house.

Exactly what Mr Kohl's political price is and whether his partners will pay have become the two key questions. As a result, in the three months they have been sitting in their twin-theme constitutional convention, EC governments have come to majority understandings on the independence of a European central bank and its prime devotion to running a sound money; on the need for some matching economic discipline among the 12; on the desirability of a bit more power for the European Parliament; and on the incompleteness of a future European union without some role in defence. Glimmerings of compromises have also emerged - on a transition to the final stage of Emu that allows Britain to delay its own decision but not that of its partners, and on an arm's length involvement in defence through the Western European Union.

But no deal on any single issue has been done. All the elements remain to be tied up in one final package, perhaps at the Luxembourg summit in late June, though more likely at the Maastricht summit in late autumn. There will be horse trading across the board. Anyone primarily interested in the fate of Emu must now keep a weather-eye open to what is happening in the political union IGC. And a confusing, sometimes farcical picture it is.

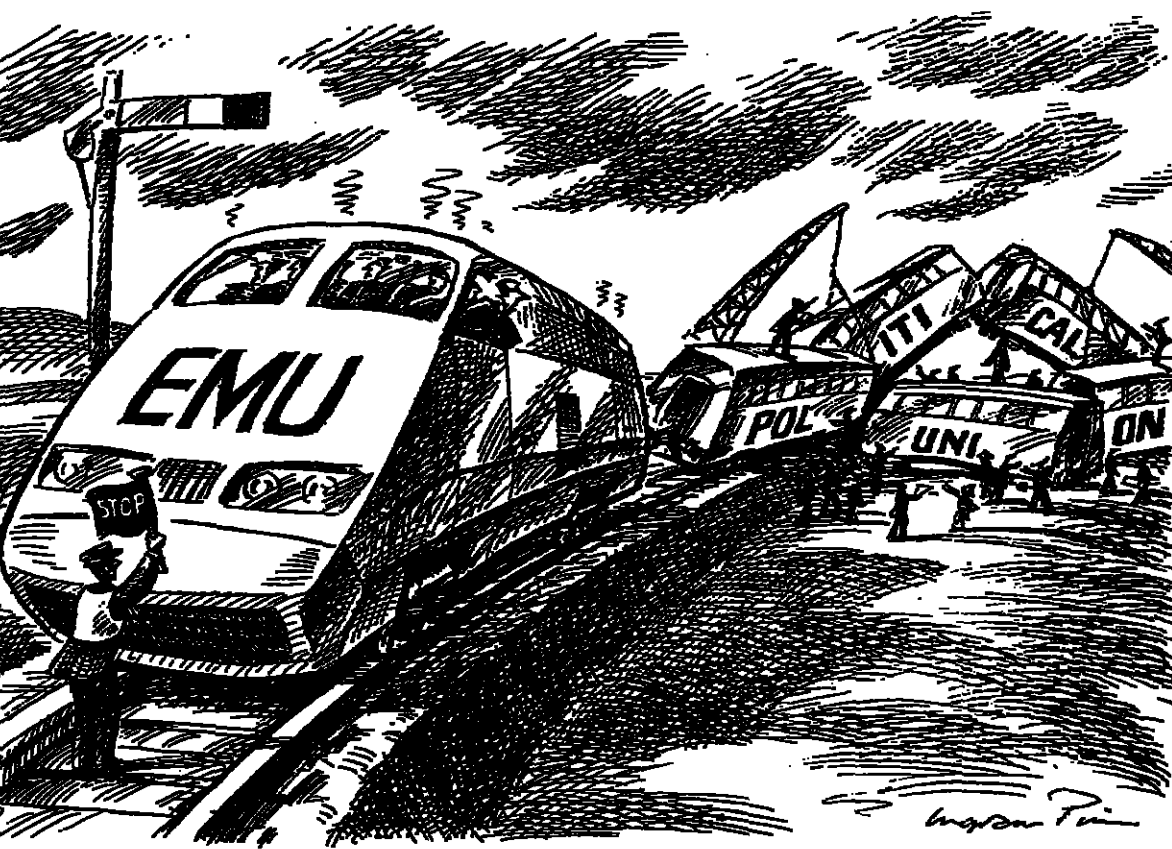
In contrast to the tidy absoluteness of the majority Emu plan for a single currency and bank, the political union agenda started ragged, and has got messier. It still has serious core items: striving towards common foreign and security policies; extending Community activities; and making EC decision-making more efficient and democratic. But now a row over money - always the most paralyzing for the Community - threatens to break out. Spain, self-appointed leader of the poor, has tabled a proposal that would only allow the Council of Ministers to take decisions by majority (as distinct from unanimity) if they either were funded 100 per cent by the Community or had negligible financial consequences.

In addition, many governments have trotted their favourite hobby horses, such as improving tourism (Greece/Italy), the animal welfare (Germany), and road safety (Luxembourg). These have caused some hilarity in the weekly Brussels meetings of the special IGC negotiators. But ironic suggestions that the new EC constitution outlaw bull-fighting in Spain and force the British to drive on the right have not yet laughed these proposals right out of court.

Adding powerfully to the confusion has been the change in the Commission's behaviour with the onset of the IGCs. In the normal run of business,

Bonn's demands over European political integration are hindering talks on economic and monetary union, writes David Buchan

## Emu train stopped in its tracks



the EC executive has the sole right of initiative and generally uses it responsibly. When it comes to treaty-writing, it has no such monopoly power of proposal but a very strong temptation to maximise its own power vis-à-vis national governments.

In fact, for virtually all EC states but Britain there was nothing "way out" about the Commission's draft treaty on Emu. But in the political union discussions, the Commission has, in the eyes of all EC governments, far overstepped the mark in the following areas:

● Foreign policy. Besides demanding a say in security and defence, the Commission claims that henceforth it should assume sole responsibility for conducting economic negotiations - covering not just trade, where it has this already, but new areas such as export credit; that it would seek Council approval before and after, but not during, negotiations; and that it should actually displace member states from international organisations. All this went too far. Up went cries of "coup d'état" from IGC negotiators of the 12, and out went the proposal.

● Internal legislation. Using the seductive argument that legislators (the Council of Ministers and the European Parliament) should take the grand overview and leave boring details to managers (the Commission), the Commission has proposed a new split system. The 400 regulations and directives the Council passes each year would, instead, be created as 50 basic laws ("that shall be nice to birds") decided by the Council in a new form of co-decision with an

upgraded Parliament and 350 implementing rules ("that shall be nice to these birds in particular") passed by the Commission. Giving this amount of power to unelected bureaucrats, said one IGC negotiator, of a "fascist state".

These setbacks for the Commission have several consequences. One has been to increase the natural moodiness of Mr Jacques Delors, the Commission president, who has been taking his frustrations out on some of his 16 fellow Commissioners, and all of

However, in contrast to the political union debate which seems to be widening by the day, the Emu negotiations have narrowed down to a few key issues, all of which appear solvable. The two main issues for the final stage of Emu are:

● Economic discipline. It is not hard to see a compromise here, because no leading country is out on one extreme or another. True, Germany wants to put arithmetical precision on what constitutes an "excessive" budget, while all others believe that judgment of economic indiscipline must be more political. But Germany is less explicitly tough than France on financial sanctions on countries running big budget deficits. The UK opposes such centrally-imposed penalties, but for sovereignty rather than practical reasons. Southern and peripheral countries will swallow economic discipline clauses, provided they get the safety-net fund proposed by the Commission. The north opposes this fund, but may find it a cheap way of buying Spain out of its money demands in the political union IGC.

● Political control. This issue has posed itself most acutely on the question of who - finance ministers or the European central bank - decides exchange rate policy. At either end of the policy spectrum, the answer is obvious. Ministers would decide if, say, the Ecu were to be fixed, à la Bretton Woods, against the dollar and yen. Equally, the Euro-bank would clearly decide what hour of what day to intervene on the foreign exchange markets. In between lies a difficult grey area, which France would like to leave solely to ministers but in which

Germany wants the Euro-bank to have a say.

Behind this is the fear of Germany's partners that the Euro-bank, committed to price stability, might put maintaining a strong Ecu above export competitiveness. But the Luxembourg presidency of the EC has already indicated it thinks a modified German formula can win general assent.

All the really important questions on transition to Emu remain to be tackled, which Luxembourg plans to do in bilateral talks in the next six weeks. They include:

● Should the Euro-bank be set up at the start (1994) or end (1997) of the transitional stage two? This tug-of-war pits France and the German foreign ministry, which both want a "bank" in 1994, against the Netherlands and the German finance ministry, which only want the existing EC central bank governors committee to be upgraded to a "council" at that date. But since most agree on the functions of the new institution during the transition, agreement on the name cannot be too hard.

● How can Britain find a way of signing a treaty that allows it to delay a decision on its own participation in Emu without blocking that of others? The answer may be relatively easy, because of a quite separate German concern to have a strict check (by means of unanimity, giving Bonn a veto) on which countries might join it in being the first to jump into Emu. Any such provision providing for the final Emu decision to be made by unanimity would help Prime Minister John Major defend an Emu treaty in the House of Commons.

Mr Kohl's persistence harping on the link between monetary and political union leads people like his Bundesbank president, Mr Karl Otto Pöhl, to fear that the very fact that Germany is demanding a price in political union means it is about to surrender on Emu. That is going too far, but there is clearly a German price which, if paid by its partners, will bring both IGCs to a rapid conclusion.

What, then, is the coinage in which the Germans might be paid? The most specific item on the German wish list is more powers for the European Parliament, which few other governments want. It is easy to see why Bonn has no objection to more power going to Strasbourg; its fragmented, federal system can accommodate another legislative layer.

Harder, though, to see a positive interest - unless eventually Germany would like reflected at Strasbourg the fact it is now more than 50 per cent more populous than the UK, France, and Italy. All four countries have 81 MEPs apiece, but Germany also has 18 non-voting observers representing east German Länder. Germany would like extra MEPs, but dare not (yet) ask for them. This, plus the related issue of giving Germany the largest number of votes in the Council of Ministers, gives most other governments the shivers.

Germany also has an obvious self-interest in a common EC foreign and security policy in which it would have a large influence particularly as regards the east. But, just as Germany is pulling a reluctant France towards agreeing to more powers for the parliament, so France is dragging Germany towards a common EC defence policy a bit faster than Bonn would really like to go.

For all the Franco-German declarations, Bonn's views on defence are closer to those of Britain in wanting, above all, to preserve Nato and keep the Americans in. At the same time, France and Britain keep telling each other that the Gulf war proved what they always knew: that they are the Community's only two serious military powers. What has opened, therefore, is a fluid triangular debate over future EC security. Its outcome, which should become a little clearer in Luxembourg tonight will affect many things, including European monetary union.

## Papered over

Why is it that when big-company chairmen write their annual statements, most of them seem incapable of owning up to mistakes? Take Midland Bank and American Express. Both financial institutions had a terrible year, and are suffering from past blunders. But you couldn't detect as much by reading their latest annual reports.

Sir Kit McMahon, Midland's outgoing chairman, writes that 1990 was obviously "a very difficult year". You can say that again. Come on Sir Kit, couldn't we have had an honest discussion of the strategic errors which led the company to halve its dividend? The shareholders deserve better.

James D. Robinson III, who has clung onto the chairmanship of American Express for a surprisingly long time, at least admits America's results were unacceptable. Given that he and his staff own 10 per cent of the company, it's nice to know that not only the unlucky small shareholders are feeling the pain.

But is anyone accepting responsibility for American Express's strategic blunders over the years? Certainly not. If it hadn't entered the insurance, commercial banking and stock broking industries, American Express shareholders would be richer today.

Fortunately, not every company is so proud. The annual report of Echo Bay Mines, one of North America's top four gold-producers, exemplifies corporate candour. The chairman's statement even has a section headed: "successes and failures". It does not hide the fact that the company has been more accident-prone than some of its peers.

Four years ago, for example, it believed it could leverage its own growth by investing in the operating skills of up-and-coming gold companies with growth properties. This

## OBSERVER

is just one of several serious mistakes which Echo Bay's chairman, Bob Calman, acknowledges in his statement. Interestingly, it was a UK clearing bank director who drew Observer's attention to the Echo Bay example. So perhaps some of next year's bank chairmen's statements may not be quite as self-serving.

### Clouded

Kipling's famous line about triumph and disaster must have been very much in the mind of Trafalgar House chief executive Sir Eric Parker as Segram, the horse he jointly owns with trainer David Barons, came through at the last in just Saturday's Seagram Grand National.

To the punters, the surprise win was the more poignant because the four-legged Segram had been twice vainly offered to the race-sponsoring Segram company's chairman, Ivan Straker, before the racing-besotted Trafalgar House chief bought his half-share in it.

But to Parker, the triumph was clouded by memory of a disaster. On March 12, in the Trafalgar House sponsored opening race of the Cheltenham Festival, his much prized horse Gasaid took a fall and had to be destroyed.

### Maxwell house

Have you noticed that the shares of former London stock market outcast, Maxwell Communication Corporation, have outperformed the market by 11 per cent over the last fortnight?

The conventional explanation is that the \$440m sale of Pergamon Press to Elsevier the Dutch publisher has taken pressure off the balance sheet. But it just might have a little to do with the departure of Robert Maxwell as chairman.



Former Welsh Secretary Peter Walker is taking over the helm, and although 32-year-old chief executive Kevin Maxwell will be keeping up the family tradition, there is a chance that the group may finally begin to be run as a public company rather than private fiefdom.

Indeed, if the new chiefs really want to throw their weight around, they might try and distance the company further from its mercurial founder by changing the name to something anonymous like MOC. You never know, it could be worth another £1 on the share price.

Nevertheless, a word of warning. Robert Maxwell still owns more than half the company, and he's never been shy in the past about picking up the phone...

### Will power

Is this a record? Four Shakespeare plays are opening in London this week: Coriolanus from the English Shakespeare Company at the Aldwych on Tuesday, Much Ado About Nothing from the

Royal Shakespeare at the Barbican on Wednesday, and The Winter's Tale (again from the English Shakespeare) at the Aldwych on Thursday. A production of Antony and Cleopatra opens at the Shaw Theatre on Wednesday.

The next day another Antony and Cleopatra (with Sylvia Sims) opens in Birmingham. There is already a "best" mentality in order to win tennis tournaments then suffer from prolonged depression afterwards.

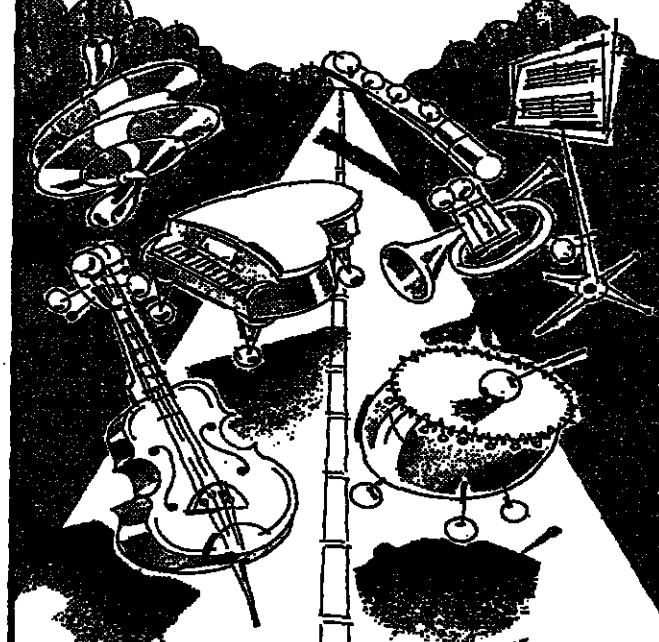
In particular, two American studies report how they tested the theory that it is increasing stresses at each higher level of sporting proficiency which lead large numbers of youngsters to give up games as they enter their teens.

The pair psychologically tested the young members of two successful champion soccer teams - one of schoolboys aged 13 and 14, the other of university students in the 18-21 bracket.

It transpired that the students were indeed more consciously anxious about winning than the schoolboys. But for technical reasons, the results failed to confirm the theory that increasing stresses account for the high drop-out in the early teens.

Clearly a case for more research into the matter, the psychologists say. Perhaps so - but before they crank up the testing apparatus again, might they not usefully reflect that the early teens are a time when playing organised games starts to seem less interesting than members of the opposite sex?

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THE WEST LANC PROJECT



**LASTY.**

criminal legal aid bill was £324m, £151m of which went on cases in magistrates' courts.

## LETTERS

aid eligibility review is making many legal aid lawyers nervous.

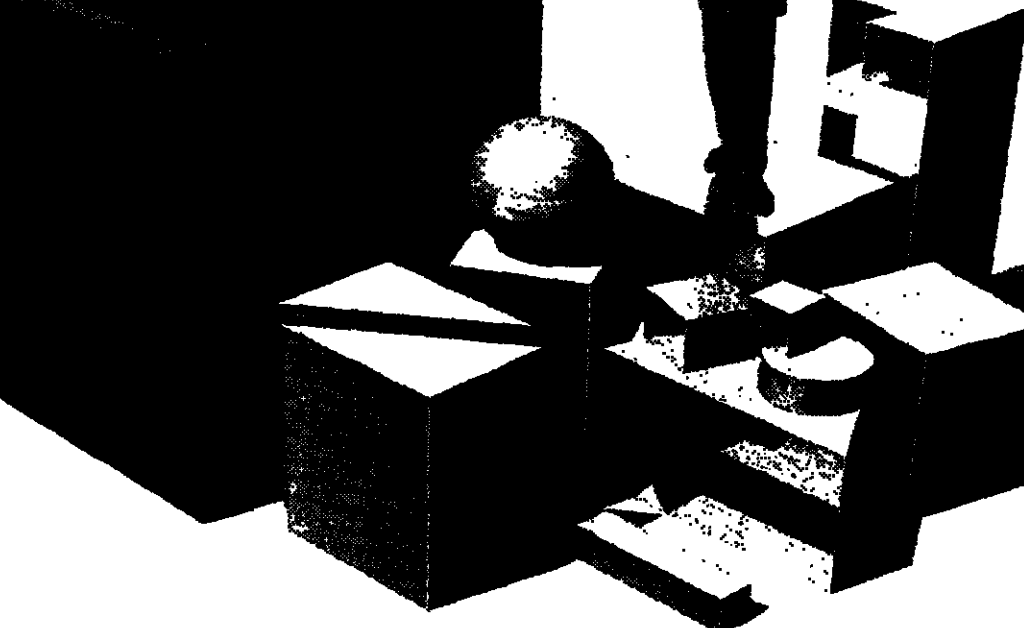
It is sometimes objected that millions of tiny shareholders

call consists of dividend payments equal to 10.5 per cent of the APF's net income on a five-year average. Remaining revenue

SSG). Politicians elsewhere who indulge in fashionable talk about a social market economy would do well to learn from it if they mean business.

ons than with public account-  
For these reasons the International Confederation of Free Trade Unions supports the efforts at the international level to come to some agreement on the future of the environmental audit. The environmental audit can be an important tool for the general environmental good. It is also the way of helping to ensure the sustainability of industrial activity and the security of jobs on which millions of workers depend. But it must be based on a public relations campaign.

Jan Vanderveken,  
secretary, ICFTU,  
10 Montaigne,  
100 Bruxelles



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**INSIDE**

**Shanghai welcomes foreign banks**

Six foreign banks have been selected to open branches in Shanghai for the first time since China's Communist regime took over in 1949. The opening up of Shanghai illustrates the importance given by Peking to the redevelopment of the city as a financial centre under Zhu Rongji, the city's reformist mayor, who is planning a \$12bn commercial and industrial development zone. John Elliott reports. Page 19

**Trusthouse Forte to sell hotels**

Trusthouse Forte has put 32 of its 316 UK hotels on the market, hoping to raise more than £75m (\$135m) to give it a profit on book values. The disposal of the properties follows the leisure group's £300m acquisition of Crest Hotels, the 43-hotel chain, from Bass in May last year, and a decision earlier this year to rebrand its hotels into categories such as Crest, Post House and Travelodge. Page 18

**Shattered illusions**

Depressing news on US unemployment last week was taken by Wall Street as a sign that another round of interest-rate cuts would soon follow. The price of the benchmark 30-year Treasury bond jumped by almost 1/2 point, as investors waited for the Federal Reserve Board. But the Fed disappointed the market, and everyone's next scenario quickly fell apart. Patrick Harverson reports. Page 20

**Shadow over gifts**

There is a measure of uncertainty in the market for gift-edged securities. Although they have ranked among the top performing government bonds in 1991, the omens are becoming slightly less fortuitous. The announcement that the Bank of England (above) plans a new issue of £800m (\$1.4bn) worth of 9 per cent Treasury securities sent shock waves through the market and prices fell sharply. Peter Marsh looks at the way gifts are likely to perform over the next few months. Page 20

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**Insider trading allegation against Ashcroft to be dropped • Jackson declines board position**

**ADT peace plan rejected by Laidlaw**

By Richard Gourlay in London and Bernard Simon in Toronto

TALKS to halt the disintegration of relations between ADT, the car auction and security company, and its largest shareholder, Laidlaw of Canada, have collapsed after three meetings last week between Mr Michael Ashcroft and Mr Donald Jackson, their respective chief executives.

Mr Ashcroft said in a statement from his Florida home that he was disappointed the talks had failed to calm Laidlaw's concern about ADT's corporate governance and had not been able to meet its demands for board representation.

It has also emerged that Laidlaw is expected shortly to retract its allegations that Mr Ashcroft used inside information last November to sell a 5 per cent stake in BAA, the former British Airports Authority.

Laidlaw, the Ontario-based school bus and waste services operator, is understood to have acknowledged that the allegations it made in a New York court last Monday were based on inaccurate information.

The information was gleaned by Laidlaw's lawyers largely from press coverage. Laidlaw is represented in the case by Skadden, Arps, Slate, Meagher & Fom, one of the most respected corporate law firms in New York.

The law firm appears to have taken literally Laidlaw's reading of "Ashcroft sells BAA shares". The close public identification of Mr Ashcroft with ADT means his name is sometimes used in place of the company's in headlines.

Laidlaw holds a 28.4 per cent equity stake in ADT. Its allegation against Mr Ashcroft was included in a claim that the Bermuda-registered ADT had failed to meet standards of corporate governance required by a company that is quoted on NASDAQ.

At the centre of this claim was an allegation that ADT directors had manipulated their company's share price by manufacturing sales of assets between ADT and its controlled affiliates. The allegation helped knock 25 per cent from the value of ADT's shares last week.

In his statement, Mr Ashcroft said that discussions had begun in February following a letter from Laidlaw. He stated that he had already met most of Mr Jackson's demands in a formal letter on March 28.

In the letter, Mr Ashcroft had

Michael Ashcroft and Michael de Groot first met about three years ago while holidaying in Florida. As they relaxed on the beach, the emboldened founders of ADT and Laidlaw laid the groundwork for a relationship which seemed at the time to suit the aspirations of both Mr Ashcroft's high-flying security and car auction group, and Mr de Groot's fast-growing North American waste services and school bus operator.

However, those discussions also sowed the seeds of the lawsuits and insults which each company has slung at the other over the past week. Laidlaw has accused ADT of "rigged transactions" which created "illusory" profits, and Mr Ashcroft personally of insider trading. ADT, in turn, is suing its biggest shareholder for defamation, alleging that it has made "untrue, scurrilous and reckless allegations".

The story of how ADT and Laidlaw fell out revolves around the personalities and management styles of Mr Ashcroft, Mr de Groot, and Mr Donald Jackson, who succeeded Mr de Groot last year as Laidlaw's chief executive. In business terms, Mr Ashcroft and Mr de Groot had much in common. The former is the epitome of the hard-driving British entrepreneur spawned by Thatcherism. Belgian-born Mr de Groot left school at the age of 14 and went on to transform a small Ontario trucking company into one of North America's leading waste services and school bus operator.

With their forceful personalities, both men dominated their companies and almost single-handedly shaped their strategies. Soon after the Florida meeting, Laidlaw and ADT began to forge their relationship. Before long, Mr Ashcroft expressed an interest in buying a controlling stake in Laidlaw which Mr de Groot had put up for sale.

That transaction came to naught. But in early 1989, as part of an effort to reduce ADT's debt, Mr Ashcroft sold the company's 34 per cent stake in Attwoods, Britain's largest waste management company, to Laidlaw for \$197m. Laidlaw has subsequently raised its interest in Attwoods to 37 per cent.

A few months later, Mr Ashcroft offered Mr de Groot an 11 per cent stake in ADT, again trying to reduce the company's debt. But Mr de Groot insisted on at least 20 per cent so that Laidlaw could equity account its interest. Laidlaw ended up buying a 28.4 per cent stake, which it has lifted to about 29 per cent.

As part of the deal, Mr Ashcroft and Mr de Groot drew up a two-page agreement which has become central to the deterioration of relations between the two companies. Under the agreement, each man became a director of the other's company, but Laidlaw had no representation on the ADT board. Laidlaw also agreed not to raise its stake in

**Beach party that wound up on the rocks**

Bernard Simon looks at the reasons for the deterioration in relations



Ashcroft (left) and de Groot: "a deal done by two entrepreneurs"

ADT without Mr Ashcroft's approval. "Those were the 1980s - it was a characteristic deal done by two entrepreneurs," a person familiar with the transaction recalls.

Tensions between Laidlaw and ADT were evident almost from the start. Although Mr de Groot and Mr Ashcroft remained on good personal terms, they were frustrated at their inability to find any way of building on the corporate relationship.

Mr de Groot is also said to have become increasingly concerned about ADT's corporate governance. He has apparently played no part in drawing up Laidlaw's claim. Nonetheless, based on files which he left at his head office in Burlington, west of Toronto, Laidlaw contends that ADT "has virtually ignored and undermined" Mr de Groot's position as a director. It alleges that notices of board meetings were provided to him on unreasonably short notice, and sometimes not at all. Mr de Groot appears to have been unwilling, however, to confront Mr Ashcroft and ADT.

Meanwhile, a new player had entered the picture. After Mr Ashcroft decided not to buy into Laidlaw, Mr de Groot in May

trolling shareholder and a new chief executive is bringing some fundamental changes to Laidlaw and has clearly affected its relationship with ADT.

Mr Peter Widdington, Laidlaw's non-executive chairman, notes: "Mike de Groot did a first-class job in building the company but it needs a better approach to planning and all the kinds of good management practices that you expect in a large company. Mr Jackson, in his way, is a professional manager, which wasn't Mike's way. Mike was strictly an entrepreneur."

The Canadian company became increasingly concerned that it was being kept in the dark about ADT's financial condition. Among the events which contributed to its unhappiness was a shareholders' meeting called at short notice in Bermuda last autumn, at which ADT proposed to give greater control to management.

According to Laidlaw's court claim, Mr Ashcroft is said to have told Mr Jackson that neither ADT's accountants nor lawyers, nor Mr Jackson himself would be allowed to get a "full picture" of ADT's affairs.

Laidlaw's discomfort has grown with a deterioration in ADT's financial performance and its sinking share price. Laidlaw's 28 per cent stake is now worth \$400m-\$500m less than its investment of close to \$1bn. ADT last month reported a 22 per cent drop in earnings, including a 63 per cent plunge in income from unidentified "non-operating sources".

Laidlaw is due to release quarterly earnings on Wednesday. It has already warned that it received no contribution from ADT. Although the UK group is still profitable, its contribution to Laidlaw is likely to be nullified by a special provision to account for write-offs by ADT.

This, together with the downturn in its North American operations, has forced Mr Jackson to retract a promise made only a few months ago to repeat Mr de Groot's performance of a consistent 20 per cent rise in annual earnings.

Despite the bad blood of the past few months, it is still possible that relations between Laidlaw and ADT will be patched up rather than face expensive and protracted court proceedings.

The stakes for both men and their companies are high. The only person with little to lose is Mr de Groot.

Although he is in the uncomfortable position of being caught between a company which was his life for 32 years and one to which he still owes a fiduciary duty as a director, Mr de Groot says: "I have no argument with either one of them."

In any case, he has the comfort of having pocketed about half a billion dollars by selling his Laidlaw shares at a price much higher than they are today.

**Economics Notebook**

**Free trade deal bewitches economists**

IF THE proposed free trade agreement (FTA) between the US, Canada and Mexico never makes it past the US Congress, it will not be for a lack of economic analysis. Since President George Bush and Carlos Salinas announced their intention to negotiate an agreement last June, scores of economists, aided by computers, reams of data, and simplifying assumptions, have been queuing up to predict who will win or lose from its implementation.

According to the US International Trading Commission (ITC) there are no less than eight US government reports under way or completed examining the effects of an FTA on, among other areas, the border economy, agriculture, energy, and the in-bond or maquiladora sector. This is the practice of importing components which are not subject to tariffs because the assembled product will be exported.

Mexico's economy is just 4 per cent of the size of the US, home to just 7 per cent of American exports, on which it imposes average tariffs of less than 10 per cent.

Most of the academics' general equilibrium models (GEMs) completed so far agree that the effects of an FTA on the US economy will be tiny. However, they attempt to give a more precise breakdown on the impact of the FTA on individual sectors.

The Peat Marwick study, commissioned by the pro-FTA Mexico-USA business committee and published last month, concluded that American income would rise by an almost negligible 0.02 per cent, and Mexico's by the hardly inspiring 0.32 per cent. This was on the assumption that an FTA did not lead to increased capital flows into Mexico. However, Peat Marwick reckoned that Mexico would need to receive \$25bn of foreign investment to get the same return on capital as before the FTA. The extra investment would cause Mexico's income to increase by an additional 4.6 per cent, US income, pushed up by extra Mexican demand for its exports, would rise by 0.04 per cent. Within the US, the biggest

sectoral winners would be optical instruments, machinery and equipment, and motor vehicles; output would increase by 1.21 per cent, 0.48 per cent, and 0.28 per cent respectively. The biggest losers would be sugar refining, electronic components, and fruits and vegetables; output would fall by 3.99 per cent, 0.98 per cent, and 0.8 per cent.

In Mexico, the sectors that win and lose are roughly a mirror image of those in the US.

However, the percentage gains and losses are much bigger, reflecting the smaller size of the economy. For example, output of sugar producers would grow by almost a third. A fundamental criticism - levelled at most general equilibrium models - is that they do not take into account the so-called dynamic benefits of a reduction in trade barriers. Such models, simply put, try to mimic the structure of the economy with a series of equations (15,000 in the Peat Marwick model).

But most GEMs assume that the basic structure of the economy, captured by the equations, remains unchanged by the FTA. The gains to the FTA are merely static ones; the one-off effects of a reduction in trade barriers, which enables

efficient sectors in the economy to expand production, and inefficient ones to contract. Optimists argue that the gains from an FTA will be much greater than these static ones. They say that the increased competition, economies of scale, transfers of technology, higher economic growth and more certain trade and investment regulations will generate "dynamic gains" for the participating countries.

In a paper to be presented at a conference on the FTA this week in Denver, Mr Clark Reynolds, of Stanford University, claims that the "dynamic integration dividend" is capable of swamping the static gains from a reduction in tariff and non-tariff barriers. The snag is that measuring these qualitative changes is almost impossible - although this has not stopped many economists from trying. Mr Rogelio Ramirez de la O, of the Mexico City consulting firm, Ecanal, estimates in a paper to be presented at the Denver conference that the FTA should boost Mexican gross domestic product by an additional 1.2 per cent a year. But to come up with this figure Mr Ramirez de la O makes a series of inspired guesses: that Mexico displaces 5 per cent of US imports from Latin America and Asia; that output per US worker will fall from five times that of a Mexican worker to 3.7 and, finally, to one in five years, and so on.

**UK fund managers optimistic**

By Philip Coggan in London

UK FUND managers are more optimistic about the prospects for the British economy, but are losing enthusiasm for placing funds in the London stock market, according to a survey for Smith New Court, the securities house.

The monthly survey, carried out by Gellhop, showed that 91 per cent of those interviewed expected UK economic conditions to get better over the next 12 months, compared to 84 per cent in the March poll and 49 per cent in January.

While the stock market has already risen on hopes of recovery, the balance of interviewees planning to increase their holdings of UK equities over the next three months has fallen to 19 per cent from 32 per cent in March and 54 per cent in December 1990.

The average forecast for the level of the FT-SE 100 Index in early July is 2,490, lower than Friday's close of 2,545. The index is expected to be at 2,700 in 12 months' time.

Earnings per share (EPS) are expected to show a marginal fall in 1991 while dividends are forecast to rise by 3.3 per cent. In 1992, the managers are looking for a rebound rise of 6.7 per cent in EPS and a 6.5 per cent increase in dividends.

The area most favoured for increased investment is Japan, which has a balance of 33 per cent of the managers intending to increase their holdings. However, sentiment has moved against the European markets. In March, there was a positive balance of 17 per cent in favour of investing in Europe; this month there is a negative balance of 2 per cent.

The survey was carried out in April and covered 97 institutions handling £439bn (\$777bn).


This announcement appears as a matter of record only.

**THE BARING PUMA FUND LIMITED**

(Incorporated with limited liability under the laws of the Cayman Islands and managed by Baring America Asset Management Company Inc.)

Placing of  
**6,000,000 Ordinary Shares**  
to raise  
**US\$60,000,000**  
and Listing of the Shares on  
**The International Stock Exchange**

Baring Brothers & Co. Limited      Baring Securities Limited



8th April, 1991







## Foreign banks set for branches in Shanghai

[illegible]











## WORLD STOCK MARKETS

[illegible][illegible]

INDICES									
NEW YORK	Apr.	Apr.	Apr.	Apr.	1991				
					INDEX	LCW			

DOY JONES		Apr. 5	Apr. 6	Apr. 7	Apr. 8	1961		1962		1963		1964		1965		1966		1967		1968		1969		1970		1971		1972		1973		1974		1975		1976		1977		1978		1979		1980		1981		1982		1983		1984		1985		1986		1987		1988		1989		1990		1991		1992		1993		1994		1995		1996		1997		1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023		2024		2025		2026		2027		2028		2029		2030		2031		2032		2033		2034		2035		2036		2037		2038		2039		2040		2041		2042		2043		2044		2045		2046		2047		2048		2049		2050		2051		2052		2053		2054		2055		2056		2057		2058		2059		2060		2061		2062		2063		2064		2065		2066		2067		2068		2069		2070		2071		2072		2073		2074		2075		2076		2077		2078		2079		2080		2081		2082		2083		2084		2085		2086		2087		2088		2089		2090		2091		2092		2093		2094		2095		2096		2097		2098		2099		2100		2101		2102		2103		2104		2105		2106		2107		2108		2109		2110		2111		2112		2113		2114		2115		2116		2117		2118		2119		2120		2121		2122		2123		2124		2125		2126		2127		2128		2129		2130		2131		2132		2133		2134		2135		2136		2137		2138		2139		2140		2141		2142		2143		2144		2145		2146		2147		2148		2149		2150		2151		2152		2153		2154		2155		2156		2157		2158		2159		2160		2161		2162		2163		2164		2165		2166		2167		2168		2169		2170		2171		2172		2173		2174		2175		2176		2177		2178		2179		2180		2181		2182		2183		2184		2185		2186		2187		2188		2189		2190		2191		2192		2193		2194		2195		2196		2197		2198		2199		2200		2201		2202		2203		2204		2205		2206		2207		2208		2209		2210		2211		2212		2213		2214		2215		2216		2217		2218		2219		2220		2221		2222		2223		2224		2225		2226		2227		2228		2229		2230		2231		2232		2233		2234		2235		2236		2237		2238		2239		2240		2241		2242		2243		2244		2245		2246		2247		2248		2249		2250		2251		2252		2253		2254		2255		2256		2257		2258		2259		2260		2261		2262		2263		2264		2265		2266		2267		2268		2269		2270		2271		2272		2273		2274		2275		2276		2277		2278		2279		2280		2281		2282		2283		2284		2285		2286		2287		2288		2289		2290		2291		2292		2293		2294		2295		2296		2297		2298		2299		2300		2301		2302		2303		2304		2305		2306		2307		2308		2309		2310		2311		2312		2313		2314		2315		2316		2317		2318		2319		2320		2321		2322		2323		2324		2325		2326		2327		2328		2329		2330		2331		2332		2333		2334		2335		2336		2337		2338		2339		2340		2341		2342		2343		2344		2345		2346		2347		2348		2349		2350		2351		2352		2353		2354		2355		2356		2357		2358		2359		2360		2361		2362		2363		2364		2365		2366		2367		2368		2369		2370		2371		2372		2373		2374		2375		2376		2377		2378		2379		2380		2381		2382		2383		2384		2385		2386		2387		2388		2389		2390		2391		2392		2393		2394		2395		2396		2397		2398		2399		2400		2401		2402		2403		2404		2405		2406		2407		2408		2409		2410		2411		2412		2413		2414		2415		2416		2417		2418		2419		2420		2421		2422		2423		2424		2425		2426		2427		2428		2429		2430		2431		2432		2433		2434		2435		2436		2437		2438		2439		2440		2441		2442		2443		2444		2445		2446		2447		2448		2449		2450		2451		2452		2453		2454		2455		2456		2457		2458		2459		2460		2461		2462		2463		2464		2465		2466		2467		2468		2469		2470		2471		2472		2473		2474		2475		2476		2477		2478		2479		2480		2481		2482		2483		2484		2485		2486		2487		2488		2489		2490		2491		2492		2493		2494		2495		2496		2497		2498		2499		2500		2501		2502		2503		2504		2505		2506		2507		2508		2509		2510		2511		2512		2513		2514		2515		2516		2517		2518		2519		2520		2521		2522		2523		2524		2525		2526		2527		2528		2529		2530		2531		2532		2533		2534		2535		2536		2537		2538		2539		2540		2541		2542		2543		2544		2545		2546		2547		2548		2549		2550		2551		2552		2553		2554		2555		2556		2557		2558		2559		2560		2561		2562		2563		2564		2565		2566		2567		2568		2569		2570		2571		2572		2573		2574		2575		2576		2577		2578		2579		2580		2581		2582		2583		2584		2585		2586		2587		2588		2589		2590		2591		2592		2593		2594		2595		2596		2597		2598		2599		2600		2601		2602		2603		2604		2605		2606		2607		2608		2609		2610		2611		2612		2613		2614		2615		2616		2617		2618		2619		2620		2621		2622		2623		2624		2625		2626		2627		2628		2629		2630		2631		2632		2633		2634		2635		2636		2637		2638		2639		2640		2641		2642		2643		2644		2645		2646		2647		2648		2649		2650		2651		2652		2653		2654		2655		2656		2657		2658		2659		2660		2661		2662		2663		2664		2665		2666		2667		2668		2669		2670		2671		2672		2673		2674		2675		2676		2677		2678		2679		2680		2681		2682		2683		2684		2685		2686		2687		2688		2689		2690		2691		2692		2693		2694		2695		2696		2697		2698		2699		2700		2701		2702		2703		2704		2705		2706		2707		2708		2709		2710		2711		2712		2713		2714		2715		2716		2717		2718		2719		2720		2721		2722		2723		2724		2725		2726		2727		2728		2729		2730		2731		2732		2733		2734		2735		2736		2737		2738		2739		2740		2741		2742		2743		2744		2745		2746		2747		2748		2749		2750		2751		2752		2753		2754		2755		2756		2757		2758		2759		2760		2761		2762		2763		2764		2765		2766		2767		2768		2769		2770		2771		2772		2773		2774		2775		2776		2777		2778		2779		2780		2781		2782		2783		2784		2785		2786		2787		2788		2789		2790		2791		2792		2793		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	5	4	3	2	HIGH	LOW
Metals & Minerals	3135.70	3134.10	3130.66	3124.93	3294.18 (5/3)	2632.06 (9/1)
Chemicals	3518.13	3524.26	3514.44	3511.31	3621.33 (6/3)	3161.95 (15/1)
Monetary Portfolio	1884.92	1881.13	1874.74	1851.13	1888.19 (5/3)	1788.99 (9/1)
THAILAND						
Bangkok Set 100/75					874.04	868.49
US\$ 100/75					859.30	853.58
US\$ 100/100					885.16	878.23
US\$ 100/125					882.48	882.48
US\$ 100/150					882.48	882.48
US\$ 100/200					882.48	882.48
US\$ 100/250					882.48	882.48
US\$ 100/300					882.48	882.48
US\$ 100/350					882.48	882.48
US\$ 100/400					882.48	882.48
US\$ 100/450					882.48	882.48
US\$ 100/500					882.48	882.48
US\$ 100/550					882.48	882.48
US\$ 100/600					882.48	882.48
US\$ 100/650					882.48	882.48
US\$ 100/700					882.48	882.48
US\$ 100/750					882.48	882.48
US\$ 100/800					882.48	882.48
US\$ 100/850					882.48	882.48
US\$ 100/900					882.48	882.48
US\$ 100/950					882.48	882.48
US\$ 100/1000					882.48	882.48
US\$ 100/1050					882.48	882.48
US\$ 100/1100					882.48	882.48
US\$ 100/1150					882.48	882.48
US\$ 100/1200					882.48	882.48
US\$ 100/1250					882.48	882.48
US\$ 100/1300					882.48	882.48
US\$ 100/1350					882.48	882.48
US\$ 100/1400					882.48	882.48
US\$ 100/1450					882.48	882.48
US\$ 100/1500					882.48	882.48
US\$ 100/1550					882.48	882.48
US\$ 100/1600					882.48	882.48
US\$ 100/1650					882.48	882.48
US\$ 100/1700					882.48	882.48
US\$ 100/1750					882.48	882.48
US\$ 100/1800					882.48	882.48
US\$ 100/1850					882.48	882.48
US\$ 100/1900					882.48	882.48
US\$ 100/1950					882.48	882.48
US\$ 100/2000					882.48	882.48
US\$ 100/2050					882.48	882.48
US\$ 100/2100					882.48	882.48
US\$ 100/2150					882.48	882.48
US\$ 100/2200					882.48	882.48
US\$ 100/2250					882.48	882.48
US\$ 100/2300					882.48	882.48
US\$ 100/2350					882.48	882.48
US\$ 100/2400					882.48	882.48
US\$ 100/2450					882.48	882.48
US\$ 100/2500					882.48	882.48
US\$ 100/2550					882.48	882.48
US\$ 100/2600					882.48	882.48
US\$ 100/2650					882.48	882.48
US\$ 100/2700					882.48	882.48
US\$ 100/2750					882.48	882.48
US\$ 100/2800					882.48	882.48
US\$ 100/2850					882.48	882.48
US\$ 100/2900					882.48	882.48
US\$ 100/2950					882.48	882.48
US\$ 100/3000					882.48	882.48
US\$ 100/30						

Base values of all indices are 100 except NYSE All Common -50; Standard and Poor's -10; and  
Toronto Composite and Metals -1000. TSE Industries began 1975 and Montreal Portfolio A/J  
1983. \* Excluding bonds; † Industrial, plus Utilities, Financial and Transportation. (c) Closed, (d)  
Unavailable.

—Saturday March 30: Taiwan Weighted Price: (c) Korea Comp at 659.80;  
US\$ 100/75 at 853.58; US\$ 100/100 at 882.48; US\$ 100/125 at 882.48;  
US\$ 100/150 at 882.48; US\$ 100/200 at 882.48; US\$ 100/250 at 882.48;  
US\$ 100/300 at 882.48; US\$ 100/350 at 882.48; US\$ 100/400 at 882.48;  
US\$ 100/450 at 882.48; US\$ 100/500 at 882.48; US\$ 100/550 at 882.48;  
US\$ 100/600 at 882.48; US\$ 100/650 at 882.48; US\$ 100/700 at 882.48;  
US\$ 100/750 at 882.48; US\$ 100/800 at 882.48; US\$ 100/850 at 882.48;  
US\$ 100/900 at 882.48; US\$ 100/950 at 882.48; US\$ 100/1000 at 882.48;  
US\$ 100/1050 at 882.48; US\$ 100/1100 at 882.48; US\$ 100/1150 at 882.48;  
US\$ 100/1200 at 882.48; US\$ 100/1250 at 882.48; US\$ 100/1300 at 882.48;  
US\$ 100/1350 at 882.48; US\$ 100/1400 at 882.48; US\$ 100/1450 at 882.48;  
US\$ 100/1500 at 882.48; US\$ 100/1550 at 882.48; US\$ 100/1600 at 882.48;  
US\$ 100/1650 at 882.48; US\$ 100/1700 at 882.48; US\$ 100/1750 at 882.48;  
US\$ 100/1800 at 882.48; US\$ 100/1850 at 882.48; US\$ 100/1900 at 882.48;  
US\$ 100/1950 at 882.48; US\$ 100/2000 at 882.48; US\$ 100/2050 at 882.48;  
US\$ 100/2100 at 882.48; US\$ 100/2150 at 882.48; US\$ 100/2200 at 882.48;  
US\$ 100/2250 at 882.48; US\$ 100/2300 at 882.48; US\$ 100/2350 at 882.48;  
US\$ 100/2400 at 882.48; US\$ 100/2450 at 882.48; US\$ 100/2500 at 882.48;  
US\$ 100/2550 at 882.48; US\$ 100/2600 at 882.48; US\$ 100/2650 at 882.48;  
US\$ 100/2700 at 882.48; US\$ 100/2750 at 882.48; US\$ 100/2800 at 882.48;  
US\$ 100/2850 at 882.48; US\$ 100/2900 at 882.48; US\$ 100/2950 at 882.48;  
US\$ 100/3000 at 882.48; US\$ 100/30 at 882.48; US\$ 100/35 at 882.48;  
US\$ 100/40 at 882.48; US\$ 100/45 at 882.48; US\$ 100/50 at 882.48;  
US\$ 100/55 at 882.48; US\$ 100/60 at 882.48; US\$ 100/65 at 882.48;  
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US\$ 100/85 at 882.48; US\$ 100/90 at 882.48; US\$ 100/95 at 882.48;  
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US\$ 100/115 at 882.48; US\$ 100/120 at 882.48; US\$ 100/125 at 882.48;  
US\$ 100/130 at 882.48; US\$ 100/135 at 882.48; US\$ 100/140 at 882.48;  
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US\$ 100/310 at 882.48; US\$ 100/315 at 882.48; US\$ 100/320 at 882.48;  
US\$ 100/325 at 882.48; US\$ 100/330 at 882.48; US\$ 100/335 at 882.48;  
US\$ 100/340 at 882.48; US\$ 100/345 at 882.48; US\$ 100/350 at 882.48;  
US\$ 100/355 at 882.48; US\$ 100/360 at 882.48; US\$ 100/365 at 882.48;  
US\$ 100/370 at 882.48; US\$ 100/375 at 882.48; US\$ 100/380 at 882.48;  
US\$ 100/385 at 882.48; US\$ 100/390 at 882.48; US\$ 100/395 at 882.48;  
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US\$ 100/415 at 882.48; US\$ 100/420 at 882.48; US\$ 100/425 at 882.48;  
US\$ 100/430 at 882.48; US\$ 100/435 at 882.48; US\$ 100/440 at 882.48;  
US\$ 100/445 at 882.48; US\$ 100/450 at 882.48; US\$ 100/455 at 882.48;  
US\$ 100/460 at 882.48; US\$ 100/465 at 882.48; US\$ 100/470 at 882.48;  
US\$ 100/475 at 882.48; US\$ 100/480 at 882.48; US\$ 100/485 at 882.48;  
US\$ 100/490 at 882.48; US\$ 100/495 at 882.48; US\$ 100/500 at 882.48;  
US\$ 100/505 at 882.48; US\$ 100/510 at 882.48; US\$ 100/515 at 882.48;  
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US\$ 100/1750 at 882.48; US\$ 100/1755 at 882.48; US\$ 100/1760 at 882.48;  
US\$ 100/1765 at 882.48; US\$ 100/1770 at 882.48; US\$ 100/1775 at 882.48;  
US\$ 100/1780 at 882.

**TOKYO - Most Active Stocks**

Friday 5 April 1991							
	Stocks	Closing	Change		Stocks	Closing	Change
	Traded	Price	on day		Traded	Price	on day
Huachi Zamen .....	3,461	575	+21	Shoua Allen .....	6,811	1,003	+40
Infocore-Hua .....	12,411	833	+23	M'ul Shidong .....	6,311	658	+19
Furubang Shic .....	9,711	436	+30	M'ul C&T Lm .....	6,711	656	+17
Pan Ito Kyo .....	6,711	1,420	+50	Chelon .....	6,611	1,100	0
Goda Steel .....	6,811	2,000	+130	M'ish Heavy .....	6,611	876	+7


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## BANKS, HP &amp; LEASING

Stock	Price	High	Low	Dividend	Yield
227 Bank of America	11.1	11.2	11.0	0.4	3.6
228 Bank of England	11.1	11.2	11.0	0.4	3.6
229 Bank of Ireland	11.1	11.2	11.0	0.4	3.6
230 Bank of Scotland	11.1	11.2	11.0	0.4	3.6
231 Bank of Wales	11.1	11.2	11.0	0.4	3.6
232 Bank of Cyprus	11.1	11.2	11.0	0.4	3.6
233 Bank of Greece	11.1	11.2	11.0	0.4	3.6
234 Bank of Italy	11.1	11.2	11.0	0.4	3.6
235 Bank of Spain	11.1	11.2	11.0	0.4	3.6
236 Bank of Portugal	11.1	11.2	11.0	0.4	3.6
237 Bank of France	11.1	11.2	11.0	0.4	3.6
238 Bank of Germany	11.1	11.2	11.0	0.4	3.6
239 Bank of Netherlands	11.1	11.2	11.0	0.4	3.6
240 Bank of Belgium	11.1	11.2	11.0	0.4	3.6
241 Bank of Luxembourg	11.1	11.2	11.0	0.4	3.6
242 Bank of Switzerland	11.1	11.2	11.0	0.4	3.6
243 Bank of Austria	11.1	11.2	11.0	0.4	3.6
244 Bank of Czech Republic	11.1	11.2	11.0	0.4	3.6
245 Bank of Slovakia	11.1	11.2	11.0	0.4	3.6
246 Bank of Hungary	11.1	11.2	11.0	0.4	3.6
247 Bank of Poland	11.1	11.2	11.0	0.4	3.6
248 Bank of Romania	11.1	11.2	11.0	0.4	3.6
249 Bank of Bulgaria	11.1	11.2	11.0	0.4	3.6
250 Bank of Yugoslavia	11.1	11.2	11.0	0.4	3.6

## BUILDING, TIMBER, ROADS

Stock	Price	High	Low	Dividend	Yield
251 Building Materials	11.1	11.2	11.0	0.4	3.6
252 Timber	11.1	11.2	11.0	0.4	3.6
253 Roads	11.1	11.2	11.0	0.4	3.6
254 Building Services	11.1	11.2	11.0	0.4	3.6
255 Timber Products	11.1	11.2	11.0	0.4	3.6
256 Road Construction	11.1	11.2	11.0	0.4	3.6
257 Building Supplies	11.1	11.2	11.0	0.4	3.6
258 Timber Merchants	11.1	11.2	11.0	0.4	3.6
259 Road Contractors	11.1	11.2	11.0	0.4	3.6
260 Building Equipment	11.1	11.2	11.0	0.4	3.6
261 Timber Traders	11.1	11.2	11.0	0.4	3.6
262 Road Materials	11.1	11.2	11.0	0.4	3.6
263 Building Contractors	11.1	11.2	11.0	0.4	3.6
264 Timber Processors	11.1	11.2	11.0	0.4	3.6
265 Road Builders	11.1	11.2	11.0	0.4	3.6
266 Building Manufacturers	11.1	11.2	11.0	0.4	3.6
267 Timber Exporters	11.1	11.2	11.0	0.4	3.6
268 Road Engineers	11.1	11.2	11.0	0.4	3.6
269 Building Designers	11.1	11.2	11.0	0.4	3.6
270 Timber Importers	11.1	11.2	11.0	0.4	3.6

## ELECTRICALS-Contd

Stock	Price	High	Low	Dividend	Yield
271 Electrical Equipment	11.1	11.2	11.0	0.4	3.6
272 Electrical Components	11.1	11.2	11.0	0.4	3.6
273 Electrical Systems	11.1	11.2	11.0	0.4	3.6
274 Electrical Services	11.1	11.2	11.0	0.4	3.6
275 Electrical Contractors	11.1	11.2	11.0	0.4	3.6
276 Electrical Manufacturers	11.1	11.2	11.0	0.4	3.6
277 Electrical Suppliers	11.1	11.2	11.0	0.4	3.6
278 Electrical Engineers	11.1	11.2	11.0	0.4	3.6
279 Electrical Designers	11.1	11.2	11.0	0.4	3.6
280 Electrical Installers	11.1	11.2	11.0	0.4	3.6
281 Electrical Maintainers	11.1	11.2	11.0	0.4	3.6
282 Electrical Repairs	11.1	11.2	11.0	0.4	3.6
283 Electrical Testing	11.1	11.2	11.0	0.4	3.6
284 Electrical Calibration	11.1	11.2	11.0	0.4	3.6
285 Electrical Training	11.1	11.2	11.0	0.4	3.6
286 Electrical Research	11.1	11.2	11.0	0.4	3.6
287 Electrical Development	11.1	11.2	11.0	0.4	3.6
288 Electrical Innovation	11.1	11.2	11.0	0.4	3.6
289 Electrical Progress	11.1	11.2	11.0	0.4	3.6
290 Electrical Future	11.1	11.2	11.0	0.4	3.6

## ENGINEERING-Contd

Stock	Price	High	Low	Dividend	Yield
291 Engineering Equipment	11.1	11.2	11.0	0.4	3.6
292 Engineering Components	11.1	11.2	11.0	0.4	3.6
293 Engineering Systems	11.1	11.2	11.0	0.4	3.6
294 Engineering Services	11.1	11.2	11.0	0.4	3.6
295 Engineering Contractors	11.1	11.2	11.0	0.4	3.6
296 Engineering Manufacturers	11.1	11.2	11.0	0.4	3.6
297 Engineering Suppliers	11.1	11.2	11.0	0.4	3.6
298 Engineering Engineers	11.1	11.2	11.0	0.4	3.6
299 Engineering Designers	11.1	11.2	11.0	0.4	3.6
300 Engineering Installers	11.1	11.2	11.0	0.4	3.6
301 Engineering Maintainers	11.1	11.2	11.0	0.4	3.6
302 Engineering Repairs	11.1	11.2	11.0	0.4	3.6
303 Engineering Testing	11.1	11.2	11.0	0.4	3.6
304 Engineering Calibration	11.1	11.2	11.0	0.4	3.6
305 Engineering Training	11.1	11.2	11.0	0.4	3.6
306 Engineering Research	11.1	11.2	11.0	0.4	3.6
307 Engineering Development	11.1	11.2	11.0	0.4	3.6
308 Engineering Innovation	11.1	11.2	11.0	0.4	3.6
309 Engineering Progress	11.1	11.2	11.0	0.4	3.6
310 Engineering Future	11.1	11.2	11.0	0.4	3.6

## FOOD, GROCERIES, ETC

Stock	Price	High	Low	Dividend	Yield
311 Food Products	11.1	11.2	11.0	0.4	3.6
312 Groceries	11.1	11.2	11.0	0.4	3.6
313 Etc	11.1	11.2	11.0	0.4	3.6
314 Food Services	11.1	11.2	11.0	0.4	3.6
315 Grocery Suppliers	11.1	11.2	11.0	0.4	3.6
316 Etc Suppliers	11.1	11.2	11.0	0.4	3.6
317 Food Manufacturers	11.1	11.2	11.0	0.4	3.6
318 Grocery Manufacturers	11.1	11.2	11.0	0.4	3.6
319 Etc Manufacturers	11.1	11.2	11.0	0.4	3.6
320 Food Distributors	11.1	11.2	11.0	0.4	3.6
321 Grocery Distributors	11.1	11.2	11.0	0.4	3.6
322 Etc Distributors	11.1	11.2	11.0	0.4	3.6
323 Food Wholesalers	11.1	11.2	11.0	0.4	3.6
324 Grocery Wholesalers	11.1	11.2	11.0	0.4	3.6
325 Etc Wholesalers	11.1	11.2	11.0	0.4	3.6
326 Food Retailers	11.1	11.2	11.0	0.4	3.6
327 Grocery Retailers	11.1	11.2	11.0	0.4	3.6
328 Etc Retailers	11.1	11.2	11.0	0.4	3.6
329 Food Importers	11.1	11.2	11.0	0.4	3.6
330 Grocery Importers	11.1	11.2	11.0	0.4	3.6
331 Etc Importers	11.1	11.2	11.0	0.4	3.6
332 Food Exporters	11.1	11.2	11.0	0.4	3.6
333 Grocery Exporters	11.1	11.2	11.0	0.4	3.6
334 Etc Exporters	11.1	11.2	11.0	0.4	3.6
335 Food Processors	11.1	11.2	11.0	0.4	3.6
336 Grocery Processors	11.1	11.2	11.0	0.4	3.6
337 Etc Processors	11.1	11.2	11.0	0.4	3.6
338 Food Packers	11.1	11.2	11.0	0.4	3.6
339 Grocery Packers	11.1	11.2	11.0	0.4	3.6
340 Etc Packers	11.1	11.2	11.0	0.4	3.6

## INDUSTRIALS (Misc.)-Contd

Stock	Price	High	Low	Dividend	Yield
341 Industrial Equipment	11.1	11.2	11.0	0.4	3.6
342 Industrial Components	11.1	11.2	11.0	0.4	3.6
343 Industrial Systems	11.1	11.2	11.0	0.4	3.6
344 Industrial Services	11.1	11.2	11.0	0.4	3.6
345 Industrial Contractors	11.1	11.2	11.0	0.4	3.6
346 Industrial Manufacturers	11.1	11.2	11.0	0.4	3.6
347 Industrial Suppliers	11.1	11.2	11.0	0.4	3.6
348 Industrial Engineers	11.1	11.2	11.0	0.4	3.6
349 Industrial Designers	11.1	11.2	11.0	0.4	3.6
350 Industrial Installers	11.1	11.2	11.0	0.4	3.6
351 Industrial Maintainers	11.1	11.2	11.0	0.4	3.6
352 Industrial Repairs	11.1	11.2	11.0	0.4	3.6
353 Industrial Testing	11.1	11.2	11.0	0.4	3.6
354 Industrial Calibration	11.1	11.2	11.0	0.4	3.6
355 Industrial Training	11.1	11.2	11.0	0.4	3.6
356 Industrial Research	11.1	11.2	11.0	0.4	3.6
357 Industrial Development	11.1	11.2	11.0	0.4	3.6
358 Industrial Innovation	11.1	11.2	11.0	0.4	3.6
359 Industrial Progress	11.1	11.2	11.0	0.4	3.6
360 Industrial Future	11.1	11.2	11.0	0.4	3.6

## INDUSTRIALS (Misc.)-Contd

Stock	Price	High	Low	Dividend	Yield
361 Industrial Equipment	11.1	11.2	11.0	0.4	3.6
362 Industrial Components	11.1	11.2	11.0	0.4	3.6
363 Industrial Systems	11.1	11.2	11.0	0.4	3.6
364 Industrial Services	11.1	11.2	11.0	0.4	3.6
365 Industrial Contractors	11.1	11.2	11.0	0.4	3.6
366 Industrial Manufacturers	11.1	11.2	11.0	0.4	3.6
367 Industrial Suppliers	11.1	11.2	11.0	0.4	3.6
368 Industrial Engineers	11.1	11.2	11.0	0.4	3.6
369 Industrial Designers	11.1	11.2	11.0	0.4	3.6
370 Industrial Installers	11.1	11.2	11.0	0.4	3.6
371 Industrial Maintainers	11.1	11.2	11.0	0.4	3.6
372 Industrial Repairs	11.1	11.2	11.0	0.4	3.6
373 Industrial Testing	11.1	11.2	11.0	0.4	3.6
374 Industrial Calibration	11.1	11.2	11.0	0.4	3.6
375 Industrial Training	11.1	11.2	11.0	0.4	3.6
376 Industrial Research	11.1	11.2	11.0	0.4	3.6
377 Industrial Development	11.1	11.2	11.0	0.4	3.6
378 Industrial Innovation	11.1	11.2	11.0	0.4	3.6
379 Industrial Progress	11.1	11.2	11.0	0.4	3.6
380 Industrial Future	11.1	11.2	11.0	0.4	3.6

## BEERS, WINES &amp; SPIRITS

Stock	Price	High	Low	Dividend	Yield
381 Beers	11.1	11.2	11.0	0.4	3.6
382 Wines	11.1	11.2	11.0	0.4	3.6
383 Spirits	11.1	11.2	11.0	0.4	3.6
384 Beer Services	11.1	11.2	11.0	0.4	3.6
385 Wine Suppliers	11.1	11.2	11.0	0.4	3.6
386 Spirit Suppliers	11.1	11.2	11.0	0.4	3.6
387 Beer Manufacturers	11.1	11.2	11.0	0.4	3.6
388 Wine Manufacturers	11.1	11.2	11.0	0.4	3.6
389 Spirit Manufacturers	11.1	11.2	11.0	0.4	3.6
390 Beer Distributors	11.1	11.2	11.0	0.4	3.6
391 Wine Distributors	11.1	11.2	11.0	0.4	3.6
392 Spirit Distributors	11.1	11.2	11.0	0.4	3.6
393 Beer Wholesalers	11.1	11.2	11.0	0.4	3.6
394 Wine Wholesalers	11.1	11.2	11.0	0.4	3.6
395 Spirit Wholesalers	11.1	11.2	11.0	0.4	3.6
396 Beer Retailers	11.1	11.2	11.0	0.4	3.6
397 Wine Retailers	11.1	11.2	11.0	0.4	3.6
398 Spirit Retailers	11.1	11.2	11.0	0.4	3.6
399 Beer Importers	11.1	11.2	11.0	0.4	3.6
400 Wine Importers	11.1	11.2	11.0	0.4	3.6
401 Spirit Importers	11.1	11.2	11.0	0.4	3.6
402 Beer Exporters	11.1	11.2	11.0	0.4	3.6
403 Wine Exporters	11.1	11.2	11.0	0.4	3.6
404 Spirit Exporters	11.1	11.2	11.0	0.4	3.6
405 Beer Processors	11.1	11.2	11.0	0.4	3.6
406 Wine Processors	11.1	11.2	11.0	0.4	3.6
407 Spirit Processors	11.1	11.2	11.0	0.4	3.6
408 Beer Packers	11.1	11.2	11.0	0.4	3.6
409 Wine Packers	11.1	11.2	11.0	0.4	3.6
410 Spirit Packers	11.1	11.2	11.0	0.4	3.6

## BUILDING, TIMBER, ROADS

DRAPERY AND STORES									
Stock	Price	High	Low	Dividend	Yield	Month	Day	Month	Day
26. Hattian Post Se.	146	0.7	2.9	0.012	Jan	June			
159. Latham & Co. S.	254	0.7	2.9	0.012	Jan	July	Feb	Feb	
159. Latham & Co. S.	254	0.7	2.9	0.012	Jan	July	Feb	Feb	
183. Latham & Co. S.	254	0.7	2.9	0.012	Jan	July	Feb	Feb	
176. Latham & Co. S.	254	0.7	2.9	0.012	Jan	July	Feb	Feb	
9.9. Central Ind.	376	0.9	3.0	0.012	Jan	Dec			
9.9. Central Ind.	376	0.9	3.0	0.012	Jan	Dec			
2.7. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
2.7. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
6.7. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
6.7. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
13.2. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
13.2. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
24. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
24. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
150. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
150. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
5.7. American Lbr.	275	0.9	3.0	0.012	Jan	Dec			
5.7. American Lbr.	275	0.9	3.0	0.012	Jan	Dec			
10.2. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
10.2. American Lbr.	489	-0.6	0.0	0.012	Jan	Dec			
21.2. American Lbr.	151	0.9	3.0	0.012	Jan	Dec			
21.2. American Lbr.	151	0.9	3.0	0.012	Jan	Dec			
32. American Lbr.	315	1.4	5.3	0.012	Jan	Dec			
32. American Lbr.	315	1.4	5.3	0.012	Jan	Dec			
62.2. American Lbr.	315	1.4	5.3	0.012	Jan	Dec			
62.2. American Lbr.	315	1.4	5.3	0.012	Jan	Dec			
19. American Lbr.	415	-0.1	0.0	0.012	Jan	Dec			
19. American Lbr.	415	-0.1	0.0	0.012	Jan	Dec			
31. American Lbr.	115	0.9	3.0	0.012	Jan	Dec			
31. American Lbr.	115	0.9	3.0	0.012	Jan	Dec			
51. American Lbr.	111	-0.7	2.3	0.012	Jan	Dec			
51. American Lbr.	111	-0.7	2.3	0.012	Jan	Dec			
1.3. American Lbr.	32	0.9	3.0	0.012	Jan	Dec			
1.3. American Lbr.	32	0.9	3.0	0.012	Jan	Dec			
22. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
22. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
74. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
74. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
72. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
72. American Lbr.	125	-0.4	6.0	0.012	Jan	Dec			
51. American Lbr.	429	-0.8	0.0	0.012	Jan	Dec			
51. American Lbr.	429	-0.8	0.0	0.012	Jan	Dec			
2.7. American Lbr.	32	0.9	3.0	0.012	Jan	Dec			
2.7. American Lbr.	32	0.9	3.0	0.012	Jan	Dec			
23. American Lbr.	14	-5.9	8.3	0.012	Jan	Dec			
23. American Lbr.	14	-5.9	8.3	0.012	Jan	Dec			
1.9. American Lbr.	34	-10.4	8.2	0.012	Jan	Dec			
1.9. American Lbr.	34	-10.4	8.2	0.012	Jan	Dec			
11.2. American Lbr.	64	0.9	3.0	0.012	Jan	Dec			



## MINES—Cont

[illegible][illegible][illegible]

10	5. Yields are related to other traded instruments.
11	6. The NAVs are based on the assets and liabilities of the fund. Assets and liabilities are 25%.
12	7. NAVs are based on mid-price prices, are gross, adjusted to
13	8. Estimated Net Asset Value (NAV) is shown for Investment
14	9. Trusts, in price per share, along with the percentage disclosed
15	10. The NAV has assumes prior charges at net value, converted to
16	11. common and warrants exercised if dilution occurs.
17	12. No Stop
18	13. Interim since redeemed, posted or deferred
19	14. 4-yr term
20	15. Not officially UK Stock; exchange permitted under rule
21	2256(4)(a)
22	16. Not listed on Stock Exchange and company not
23	submitted to same degree of regulation as listed securities.
24	17. Not officially listed
25	18. Listed at UK stock exchange
26	19. Not comparable
27	20. Lower allows for conversion of shares not ranking for
28	dividend or ranking only for restricted dividend.
29	21. Corpe does not allow for shares which may also rank for
30	dividend in future date.
31	No par value
32	L.F.F. Belgien, France, P. French France 9% Yield based on
33	assumed 100% recovery. Yield unchanged until maturity of
34	30 years. Capital, c. redemption price. f. Fiat yield, k. Kenya, c.

[illegible]

1970	Midland St.	18	
1971	Bus West Bk.	27	
1972	W & D Div.	51	
1970	Racial Elect.	18	
			<b>Mines</b>
	Loorbo		21
	RTZ		46

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This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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**Share Services**

The following change has been made to the FT Share Information Service:

**Deletion: Atlantis Resources (Section: Oils & Gas)**

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1694  
1717  
1805  
1824  
1882  
2205  
2213



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]



**NASDAQ NATIONAL MARKET**4:00 pm prices April 5<sup>th</sup>[illegible]

**4:00 pm prices April 5**

C O L U M B I A									
Ch. 131	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31
Ch. 132	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32
Ch. 133	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Ch. 134	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Ch. 135	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Ch. 136	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Ch. 137	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Ch. 138	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38
Ch. 139	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39
Ch. 140	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Ch. 141	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Ch. 142	1.42	1.42	1.42	1.42	1.42	1.42	1.42	1.42	1.42
Ch. 143	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43
Ch. 144	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44
Ch. 145	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45
Ch. 146	1.46	1.46	1.46	1.46	1.46	1.46	1.46	1.46	1.46
Ch. 147	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47
Ch. 148	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Ch. 149	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49
Ch. 150	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Ch. 151	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51
Ch. 152	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52
Ch. 153	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Ch. 154	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
Ch. 155	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Ch. 156	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Ch. 157	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57
Ch. 158	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Ch. 159	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Ch. 160	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Ch. 161	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61
Ch. 162	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62
Ch. 163	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63
Ch. 164	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64
Ch. 165	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65
Ch. 166	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Ch. 167	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67
Ch. 168	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
Ch. 169	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69
Ch. 170	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Ch. 171	1.71	1.71	1.71	1					

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**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER



## MONDAY INTERVIEW

## Returning his country to the fold

Patricio Aylwin, president of Chile, talks to Lesley Crawford

For President Patricio Aylwin of Chile, this week marks something of a homecoming - in more than one sense.

On Wednesday he arrives in the UK for a state visit at the start of a European tour, a trip that follows an earlier visit to Washington and the seal on Chile's return to the fold of democratic nations.

Besides lunching with the Queen and dining with Mr John Major, the prime minister, Mr Aylwin will also be seeking his own roots at the home of his ancestors in Sussex. His great-grandfather emigrated to Chile in 1835, their origins and language forgotten long ago; but the family name survives in a small Hertfordshire food business called C. Aylwin & Sons.

Today the name Aylwin is more readily associated with Chile's transition to civilian rule over the past year. He was elected president after General Augusto Pinochet, the military dictator, paved the way for a contested election in which his own candidate resoundingly lost. By common consent the veteran politician has played a skilful hand in presiding over one of the more remarkable political events in modern Latin American history.

He will need all his quiet eloquence to persuade his hosts that the recent upsurge of terrorism in Chile against Pinochet supporters is not going to disrupt the delicate process of healing a profoundly divided society. Not that Mr Aylwin seems especially daunted by the recent violence, in which leftist guerrillas last Monday murdered Senator Jaime Guzmán, a right-wing leader and supporter of the former military regime. "To cancel the tour would imply giving in to terrorist blackmail," Mr Aylwin said last week.

The assassination followed publication of a report on human rights abuses under the Pinochet regime commissioned personally by Mr Aylwin when he took office last March - a report bluntly rejected by Gen Pinochet. Ironically, Senator Guzmán himself had prophesied that the report would open old wounds and spur the extreme left to take justice into its own hands.

President Aylwin is very definite in placing blame on the extreme left, which has also recently killed a police inspector. Talking just before Senator Guzmán's assassination, the president said he did not believe that the hard core of guerrillas who rescued to army arms after the restoration

of democracy last year would exploit the human rights report to take revenge.

"The extreme left have known who their persecutors were for a long time. Why would they strike now, when the whole of society recognises that they were the victims of the military repression?"

The guerrillas have overturned Mr Aylwin's delicate political equation. The erstwhile victims are now perceived as the main threat to democracy. And the military, whose support for civilian rule is lukewarm, are being asked to join the anti-terrorist fight.

Handling Chile's bitter human rights legacy has been the toughest challenge of Mr Aylwin's career. The path he chose required the forgiveness of the victims and repentance by the former military rulers. But his vision of reconciliation began to unravel with Gen Pinochet's categorical rejection of the human rights report. The general, who retained the army command after stepping down from power last month, refused to apologise for crimes committed under his rule and denied that the report had any historical or legal validity.

"The army's reply was crude and insensitive," Mr Aylwin says. "The military were fighting to salvage their prestige. But I think they would have won back more respect if they had shown some humility."

He believes the military have missed an opportunity to make peace with society. Had there been a sign of contrition, it would have been easier for Mr Aylwin to justify the decision not to pursue human rights trials against the authors of the repression. The families of the 1,600 *desaparecidos* - the people who went "missing" during the Pinochet years - believe justice has been sacrificed to political expediency.

But Mr Aylwin draws on the failure of other Latin American countries to heal their human rights wounds to argue that "the virtue of justice must be reconciled with the virtue of prudence". It is not easy for him to admit that justice has been a casualty of Chile's negotiated political transition. A lawyer by profession, and the son of a president of the Supreme Court, he feels the failure of the judicial system to protect human rights almost as a personal injury. "People do not believe in the courts any longer. It is a waste of time, the procedures are too slow, there are not enough resources. There is a general belief in the country that justice is lacking," he says.

Mr Aylwin hopes to have had he not been a shrewd negotiator.

In addition, Mr Aylwin's image as a benign, grandfatherly figure has served him well in a country still nervous of extremes. Like De Gaulle, he has projected himself as a president above the fray of partisan politics. The fact that he is barred by the constitution from standing for re-election has also helped him.

A year into his government, Mr Aylwin has not only held together an unorthodox ruling coalition of Socialists, Radicals, Greens and Christian Democrats. He has also co-opted the right-wing opposition into approving legislation that is chipping away at the authoritarian shackles bequeathed by the military regime.

The Communist party has been legalised, press freedom restored, the draconian restrictions on trade union activity lifted, the power of military courts curbed. The president will shortly have the authority to pardon political prisoners.

This he has achieved with the goodwill of all Chile's ruling and opposition parties. Gen Pinochet has had to deal with alone. The 72-year-old president and the 75-year-old former dictator work within spitting distance of each other in central Santiago. Watching these two veteran heavyweights wrestle for power has become the nation's favourite spectator sport.

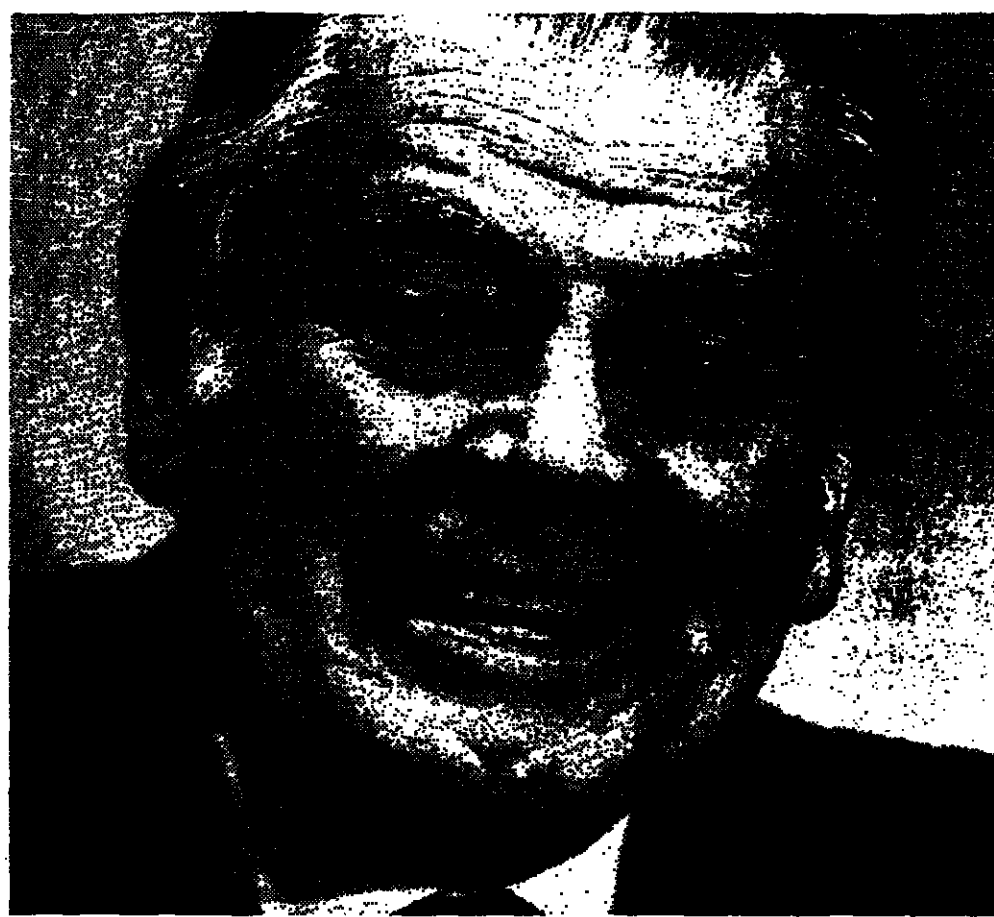
Every month, Chileans top up the points. President Aylwin came out on top last April, when he launched his human rights initiative despite Gen Pinochet's vociferous opposition, and in October, when he vetoed the promotion of two army generals. Gen Pinochet's orchestrated army protest before Christmas was regarded as a blow beneath the belt.

The return to civilian rule has been cemented by the new government's acceptance of the dictatorship's economic model. Chile's open, export-oriented economy is the only positive legacy Mr Aylwin acknowledges of the former regime. He thinks that the economic transformation could have been undertaken in a democracy, although the sacrifices are more easily imposed under authoritarian rule.

From 1984, Chile has sustained economic growth and a dramatic increase in exports, and has laid its foreign debt problems to rest. But to do so an austerity programme had first to be implemented that caused high unemployment in the early 1980s.

"Eastern Europe and Latin American countries are trying to achieve this economic transformation in democracy," says Mr Aylwin, "and we must hope for their success."

The president, however, is



'Justice must be reconciled with prudence'

overhauled the judicial system by the time he leaves office in 1994. One project in the government's drawer is to dilute the power of Gen Pinochet's appointees to the Supreme Court by expanding the number of justices from 17 to more than 30. But in order to avoid charges of political manipulation, he must first forge an agreement with the right-wing opposition parties in Congress.

It is a task Mr Aylwin handles with great skill. He would not have survived 46 years in politics and been elected seven times leader of the Christian Democratic party (also known as the "Cosa Nostra" in Chile),

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## Amateurs at the co-ordination of policy



MICHAEL PROWSE on America

structure is debilitating. There is no chairman to push through an agenda. There is no secretariat, which virtually rules out a systematic analysis of issues. Amazingly, there is not even a record of meetings, a serious handicap given the rapid turnover of participants: only three of the 17 top officials at the Plaza meeting are still in office (David Mulford from the US Treasury, Karl Otto Pöhl from the Bundesbank and Robin Leigh-Pemberton of the Bank of England).

These shortcomings are exacerbated because few of the senior civil servants (deputies), who do most of the real work, have direct responsibility for domestic economic or fiscal affairs. They are thus often unable to influence, let alone deliver, results in areas crucial for effective international co-ordination - such as taxation, government spending and structural reforms.

Another gripe is that the International Monetary Fund, supposedly the guardian of the world monetary system, is little more than a glorified stage hand. The IMF's managing director is wheeled in for ministerial meetings, but dismissed at the point when conversation turns to the "confidential" issues of foreign exchange market intervention. This is absurd given the IMF's technical expertise, not to mention its obligation to engage in surveillance of member countries' exchange rate policies.

A second, perhaps deeper, obstacle to effective economic co-operation is a lack of clarity about goals. Nicholas Brady, the US Treasury Secretary, still occasionally talks as though America can happily ignore the rest of the world (as when he urged US interest rate

cuts just as the dollar hit a post-war low against the D-Mark). But in their sadder moments, all the leading policymakers accept the need to co-operate: in an economically interdependent world, nations cannot even pursue their own self-interest efficiently unless they take the trouble to understand the goals and concerns of their partners. But what should co-operation aim to achieve?

There are two schools of thought. One regards exchange rate instability as the scourge of modern economic life: co-operation should thus aim, if not to re-create Bretton Woods, at least to re-establish order in currency markets. This camp, led by the French and backed by Britain during Mr Nigel Lawson's chancellorship, supported experimentation with unofficial "reference ranges" for the main currencies. It regards fixed, or semi-fixed, exchange rates as the best framework for fostering long-run growth and prosperity.

The other view is that co-operation should restrict itself to the broad goal of encouraging steady non-inflationary growth. Exchange rate volatility is seen as a symptom of deeper disorders, such as fiscal or monetary policies. Get the underlying policies right, the theory goes, and exchange rates will stabilise of their own accord. At the world level, there is no need to create elaborate structures such as the EMS; indeed they could not work for long.

At the moment, the second school appears to have the upper hand. There is no stomach for grand reforms of international money. People are talking of a tri-polar world in which the three major currencies - the dollar, yen and D-Mark - float fairly freely against each other; stability is restricted to regional blocks such as the EMS. But even this restricted vision of a new world economic order requires more effective co-operation, for example on action to raise savings rates. The G-7 process is akin to motorising in the days of red flags and goggles. Reform and modernisation should be a priority.

*"Economic Policy Co-ordination: Requiem or Prologue?"* 11 Dupont Circle, NW Washington DC

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